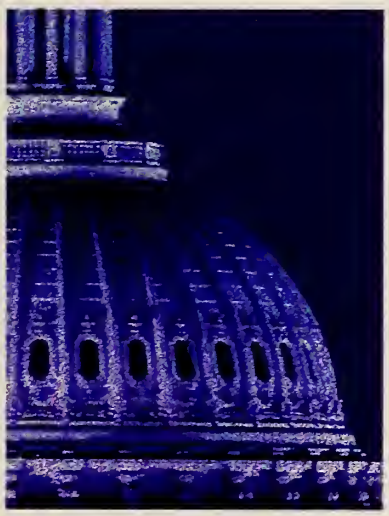
Prepared for

HCFA
Health Care Financing Administration

Third Update to the Geographic Practice Cost Index

Task Order 0038



Prepared by

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March 13, 2000

Mr. Robert Ulikowski
Government Task Leader
Health Care Financing Administration
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Baltimore, MD 21244-1850

Dear Mr. Ulikowski:

KPMG is pleased to submit one original and nine copies of our Report on the Third Update of the Geographic Practice Cost Indices for Task Order #0038 under Contract #500-97-0441.

You authorized delay of our report due to the difficulties we experienced in receiving the RVU data. As such, our report is submitted as of March 13, 2000, per your authorization.

Please note that we have made reliance upon several sources for completion of this analysis. We relied on information contained in the previous Health Economics Research, Inc.'s Second Update to the GPCI report as well as Allied Technology's report for the Malpractice Insurance Survey. We have relied on information which was supplied to us by insurers, Departments of Insurance, the Dept. of Housing and Urban Development as well as the Health Care Financing Administration.

We are pleased to have the opportunity to provide support in this important project. If you have any questions regarding this Report, please contact me at 214 840 2436.

Very truly yours,

KPMG

Karen M. Kirby

Karen M. Kirby, FSA, MAAA
Senior Actuarial Manager

cc: Brian Corrigan
Steve Mahan
Denise Marshall
Bob Sullivan

Attachments

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EXECUTIVE SUMMARY

The Geographic Practice Cost Index (GPCI) is an input price index used to adjust Medicare Fee Schedule (MFS) payments for area variations in physicians' cost of practice. The original GPCI was implemented with the MFS in 1992. The first update to the GPCI, which occurred between 1995-1996, incorporated data from the decennial census. The 1998-1999 update incorporated FY1996 rental data, 1992-1994 malpractice premium data and the 1994 claims history file. This 2001-2002 update uses FY2000 rental data, 1996-98 malpractice premium data, the 1998 claims history file and cost shares from a 1997 American Medical Association (AMA) survey. This is a report on the third update of the Geographic Practice Cost Index, which is scheduled to be fully phased in on January 1, 2002. In the previous year, 2001, a transition will occur between the 2000 GPCI and the 2002 GPCI, with one-half the total change implemented in 2001.

Changes in Data and Methodology between 2002 and 1999 GPCIs

There are four fundamental changes in Data and Methodology that have occurred between the 1999 second update and 2002 GPCI update. They are:

(1) New Office Rent Data: FY2000 Department of Housing and Urban Development (HUD) Rental Data replaces FY1996 HUD Rental Data.

(2) New Malpractice Premium Data: 1996-1998 Malpractice Premium Data replaces 1992-1994 Data.

(3) New Cost Shares: Cost shares derived from the 1997 AMA Survey replace cost shares derived from the 1989 Survey. These new cost shares change the Practice Expense GPCI since they impact the weighting of the three components (1. Employee Wage, 2. Office Rent and 3. Equipment, Supplies, Etc.). The Geographic Adjustment Factor

(GAF) is a weighted composite of the Work, Practice Expense and Malpractice GPCI. Since the basis for the weighting is the AMA Survey cost shares, the GAF is similarly impacted by the update.

(4) New County Level RVU Weights: 1998 National Claims History RVU Weighting Data replaces 1994 National Claims History RVU Weighting Data. Even where the underlying county level GPCIs remain unchanged, the new weights create some minor variations in the Medicare locality average GPCI.

Table ES-1 provides a summary of the changes in each GPCI update.

The following sections describe how each of these changes impacts the Work, Practice Expense, Malpractice GPCIs as well as the overall Geographic Adjustment Factor.

TABLE ES-1: SUMMARY OF GPCI UPDATES

Update

GPCI Component	First (1996)	Second (1999)	Third (2002)	Comment
Work GPCI	1990 Census	1990 Census	1990 Census	Reweighting with 1998 RVUs
Practice Expense GPCI				
Employee Wage Index	1990 Census	1990 Census	1990 Census	Reweighting with 1998 RVUs
Office Rental Index	FY 1994 Fair Market Rents	FY 1996 HUD Fair Market Rents	FY 2000 HUD Fair Market Rents	County level MSA adjustments used for New York MSA only.
Equip., Supplies, Other	1.00	1.00	1.00	Uniformly set to 1.00 for all counties
Malpractice GPCI	1990 - 1992 Malpractice Insurance Premiums	1992 - 1994 Malpractice Insurance Premiums	1996 - 1998 Malpractice Insurance Premiums	1998 RVUs update weighted average premium calculation
Cost Shares	1989 AMA SMS Survey	1989 AMA SMS Survey	1997 AMA SMS Survey	New Cost Shares Shown in ES-3
County RVU Weights	1992 National Claims History	1994 National Claims History	1998 National Claims History	

NOTE:
RVU = relative value unit
FY = fiscal year
HUD = U.S. Department of Housing and Urban Development
AMA = American Medical Association
SMS = Socioeconomic Monitoring System

Table ES-2: Comparison of 1999 and 2002 Combined Geographic Area Factor

		Source and Impact of Change							
Fee Schedule Area	1999	Office Rents	MGPCI	Cost Share GAF	Cost Share PE	Normal-ization	RVUs & Other	Difference	2002
SAN FRANCISCO, CA	1.143	0.063	0.001	0.009	0.006	0.005	-	0.084	1.227
SAN MATEO, CA	1.122	0.063	0.001	0.009	0.006	0.005	(0.001)	0.083	1.205
SANTA CLARA, CA	1.125	0.047	(0.001)	0.009	0.005	0.005	-	0.065	1.190
MARIN/NAPA/SOLANO, CA	1.058	0.035	0.001	0.007	0.003	0.005	-	0.051	1.109
METROPOLITAN BOSTON	1.088	0.016	0.002	0.007	0.003	0.005	0.001	0.034	1.122
OAKLAND/BERKELEY, CA	1.086	0.015	0.001	0.008	0.003	0.005	-	0.032	1.118
REST OF MASSACHUSETTS	1.030	0.016	0.002	0.006	0.002	0.005	(0.003)	0.028	1.058
DALLAS, TX	1.009	0.022	-	0.001	-	0.004	-	0.027	1.036
UTAH	0.931	0.018	0.002	0.005	(0.002)	0.004	(0.003)	0.024	0.955
SEATTLE (KING CNTY), WA	1.023	0.008	0.001	0.005	0.002	0.005	(0.001)	0.020	1.043
REST OF NEW JERSEY	1.044	0.006	0.002	0.004	0.003	0.005	(0.001)	0.019	1.063
INDIANA	0.927	0.005	0.002	0.009	(0.002)	0.004	-	0.018	0.945
NORTH CAROLINA	0.928	0.006	0.003	0.007	(0.002)	0.004	-	0.018	0.946
PORTLAND, OR	0.987	0.013	(0.005)	0.006	-	0.004	-	0.018	1.005
COLORADO	0.971	0.013	0.001	0.003	-	0.004	(0.004)	0.017	0.988
WYOMING	0.925	0.003	0.010	0.003	(0.002)	0.004	(0.001)	0.017	0.942
ATLANTA, GA	1.015	0.012	(0.001)	0.001	-	0.004	-	0.016	1.031
NORTHERN NJ	1.099	(0.002)	0.002	0.006	0.004	0.005	-	0.015	1.114
NEVADA	1.016	0.005	0.007	-	0.001	0.004	(0.002)	0.015	1.031
MINNESOTA	0.957	0.005	(0.002)	0.007	(0.001)	0.004	0.001	0.014	0.971
SOUTH CAROLINA	0.913	0.003	-	0.010	(0.002)	0.004	(0.001)	0.014	0.927
REST OF PENNSYLVANIA	0.948	0.002	0.004	0.005	(0.002)	0.004	-	0.013	0.961
SOUTH DAKOTA	0.886	0.005	(0.001)	0.007	(0.002)	0.004	-	0.013	0.899
VERMONT	0.957	0.003	-	0.007	-	0.004	(0.001)	0.013	0.970
ANAHEIM/SANTA ANA, CA	1.090	(0.006)	0.003	0.005	0.005	0.005	-	0.012	1.102
NEBRASKA	0.894	0.005	-	0.007	(0.002)	0.004	(0.002)	0.012	0.906
TENNESSEE	0.924	0.005	0.001	0.005	(0.002)	0.004	(0.001)	0.012	0.936
VENTURA, CA	1.055	(0.004)	0.002	0.006	0.003	0.005	-	0.012	1.067
METROPOLITAN PHILADELPHIA, PA	1.059	0.002	0.006	(0.002)	0.002	0.005	(0.002)	0.011	1.070
SUBURBAN CHICAGO, IL	1.048	0.001	0.009	(0.005)	0.002	0.004	-	0.011	1.059
FORT WORTH, TX	0.978	0.006	-	-	(0.001)	0.004	0.001	0.010	0.988
NORTH DAKOTA	0.906	0.005	-	0.004	(0.002)	0.004	(0.001)	0.010	0.916
REST OF ILLINOIS	0.933	0.005	0.005	(0.002)	(0.002)	0.004	-	0.010	0.943
OKLAHOMA	0.908	0.001	-	0.008	(0.003)	0.004	(0.001)	0.009	0.917
NEW MEXICO	0.935	(0.001)	0.006	0.003	(0.001)	0.004	(0.002)	0.009	0.944
REST OF CALIFORNIA	1.007	(0.002)	0.002	0.006	0.001	0.004	(0.003)	0.008	1.015

Table ES-2: Comparison of 1999 and 2002 Combined Geographic Area Factor

		Source and Impact of Change							
Fee Schedule Area	1999	Office Rents	MGPCI	Cost Share GAF	Cost Share PE	Normal-ization	RVUs & Other	Difference	2002
REST OF WASHINGTON	0.968	-	0.001	0.004	-	0.004	(0.001)	0.008	0.976
VIRGINIA	0.946	0.001	(0.002)	0.007	(0.001)	0.004	(0.001)	0.008	0.954
WEST VIRGINIA	0.925	0.003	0.009	(0.004)	(0.003)	0.004	(0.001)	0.008	0.933
ARKANSAS	0.886	0.001	(0.002)	0.008	(0.003)	0.004	(0.001)	0.007	0.893
WISCONSIN	0.955	0.001	0.003	0.001	(0.001)	0.004	(0.001)	0.007	0.962
AUSTIN, TX	0.985	(0.001)	-	0.003	0.001	0.004	(0.001)	0.006	0.991
DELAWARE	1.015	0.004	(0.005)	0.003	-	0.004	-	0.006	1.021
MONTANA	0.910	0.003	-	0.003	(0.002)	0.004	(0.002)	0.006	0.916
DC + MD/VA SUBURBS	1.095	0.001	(0.004)	0.001	0.003	0.005	(0.001)	0.005	1.100
IOWA	0.912	0.001	(0.002)	0.004	(0.002)	0.004	-	0.005	0.917
KENTUCKY	0.923	-	0.002	0.001	(0.003)	0.004	0.001	0.005	0.928
MISSISSIPPI	0.900	-	0.002	0.002	(0.003)	0.004	-	0.005	0.905
REST OF TEXAS	0.929	-	0.003	0.001	(0.002)	0.004	(0.001)	0.005	0.934
IDAHO	0.913	(0.001)	(0.002)	0.006	(0.002)	0.004	(0.002)	0.003	0.916
NEW ORLEANS, LA	0.986	0.001	0.004	(0.003)	(0.002)	0.004	(0.001)	0.003	0.989
REST OF OREGON	0.934	0.001	(0.005)	0.005	(0.001)	0.004	(0.001)	0.003	0.937
ARIZONA	0.994	0.005	(0.003)	(0.003)	-	0.004	(0.001)	0.002	0.996
NYC SUBURBS/LONG I., NY	1.177	0.004	0.001	(0.012)	0.005	0.005	(0.001)	0.002	1.179
ALABAMA	0.930	0.003	(0.002)	-	(0.003)	0.004	(0.001)	0.001	0.931
REST OF MAINE	0.934	(0.003)	(0.001)	0.003	(0.002)	0.004	-	0.001	0.935
CHICAGO, IL	1.084	0.001	0.003	(0.010)	0.002	0.005	-	0.001	1.085
MANHATTAN, NY	1.227	(0.007)	-	(0.006)	0.008	0.005	-	-	1.227
OHIO	0.973	0.006	(0.004)	(0.002)	(0.002)	0.004	(0.002)	-	0.973
PUERTO RICO	0.794	(0.003)	(0.003)	0.007	(0.003)	0.002	-	-	0.794
REST OF GEORGIA	0.940	0.001	(0.001)	-	(0.002)	0.004	(0.002)	-	0.940
BALTIMORE/SURR. CNTYS, MD	1.031	-	(0.006)	(0.001)	-	0.005	0.001	(0.001)	1.030
EAST ST. LOUIS, IL	0.989	0.001	0.006	(0.009)	(0.002)	0.004	(0.001)	(0.001)	0.988
KANSAS	0.933	0.002	(0.004)	-	(0.002)	0.004	(0.001)	(0.001)	0.932
REST OF NEW YORK	0.973	(0.004)	(0.001)	0.002	(0.001)	0.004	(0.001)	(0.001)	0.972
VIRGIN ISLANDS	0.997	(0.006)	(0.001)	(0.001)	0.003	0.004	-	(0.001)	0.996
CONNECTICUT	1.100	(0.008)	(0.003)	0.001	0.003	0.005	-	(0.002)	1.098
REST OF LOUISIANA	0.936	(0.001)	0.001	(0.002)	(0.003)	0.004	(0.001)	(0.002)	0.934
BRAZORIA, TX	1.005	0.002	(0.002)	(0.007)	-	0.004	-	(0.003)	1.002
METROPOLITAN KANSAS CITY, MO	0.982	0.010	(0.011)	(0.004)	(0.002)	0.004	-	(0.003)	0.979
REST OF MARYLAND	0.980	(0.003)	(0.003)	0.002	-	0.004	(0.003)	(0.003)	0.977
GALVESTON, TX	1.000	0.002	(0.002)	(0.007)	(0.001)	0.004	-	(0.004)	0.996

Table ES-2: Comparison of 1999 and 2002 Combined Geographic Area Factor

		Source and Impact of Change							
Fee Schedule Area	1999	Office Rents	MGPCI	Cost Share GAF	Cost Share PE	Normal-ization	RVUs & Other	Difference	2002
HOUSTON, TX	1.034	0.002	(0.003)	(0.007)	-	0.004	-	(0.004)	1.030
NEW HAMPSHIRE	1.008	-	(0.006)	-	0.001	0.004	(0.003)	(0.004)	1.004
REST OF FLORIDA	0.981	0.002	(0.002)	(0.006)	(0.001)	0.004	(0.001)	(0.004)	0.977
SOUTHERN MAINE	0.987	(0.013)	(0.001)	0.005	0.001	0.004	(0.001)	(0.005)	0.982
POUGHKPSIE/N NYC SUBURBS, NY	1.056	(0.006)	(0.002)	(0.005)	0.003	0.004	0.001	(0.005)	1.051
QUEENS, NY	1.167	(0.006)	0.001	(0.010)	0.004	0.005	-	(0.006)	1.161
FORT LAUDERDALE, FL	1.046	(0.003)	0.003	(0.012)	0.001	0.004	(0.001)	(0.008)	1.038
RHODE ISLAND	1.047	(0.002)	(0.010)	(0.002)	0.001	0.005	(0.001)	(0.009)	1.038
BEAUMONT, TX	0.973	-	(0.002)	(0.008)	(0.002)	0.004	(0.001)	(0.009)	0.964
ALASKA	1.131	(0.002)	(0.010)	(0.006)	0.002	0.005	-	(0.011)	1.120
LOS ANGELES, CA	1.104	(0.028)	0.003	0.005	0.004	0.005	-	(0.011)	1.093
METROPOLITAN ST. LOUIS, MO	0.983	0.001	(0.011)	(0.004)	(0.002)	0.004	(0.001)	(0.013)	0.970
REST OF MISSOURI	0.908	0.001	(0.012)	(0.005)	(0.003)	0.004	0.001	(0.014)	0.894
REST OF MICHIGAN	1.013	0.002	(0.008)	(0.014)	(0.002)	0.004	-	(0.018)	0.995
MIAMI, FL	1.105	(0.011)	0.006	(0.021)	0.002	0.004	(0.001)	(0.021)	1.084
HAWAII/GUAM	1.072	(0.029)	(0.004)	0.003	0.006	0.004	(0.001)	(0.021)	1.051
DETROIT, MI	1.131	0.009	(0.011)	(0.033)	-	0.005	(0.001)	(0.031)	1.100

Expanation of Columns:

1999 - 1999 Budget Neutral GAF. Weighted according to the formula : 54.2% x Work GPCI + 41.0% X Practice Expense GPCI + 4.8% Malpractice GPCI.

Office Rents : 11.6% X Change in Office Rent Index. See Table 3-2.

MGPCI : 3.2% X Change in MGPCI. See Table 4-2.

Cost Shares/GAF : (54.5% - 54.2%) X Qtr Work GPCI (1999) + (42.3% - 41.0%) X PE GPCI (1999) + (3.2% - 4.8%) X MGPCI (1999)

Cost Shares/PE : [(39.7% - 39.8%) X EE Wage Index (1999) + (27.4% - 25.1%) X Office Rent Index (1999) + (32.9% - 35.1%) X Equip, Supplies, Other (1999)] X 42.3%

Normalization : The impact of raising Qtr Work GPCI by 0.3% and EE Wage index by 1.4%. See Section 2.1 for explanation.

RVUs & Other: Primarily change in RVU weights but also includes rounding and interactive effects. Balances to the total difference between 2002 and 1999 GAF.

2002 - 2002 Preliminary GAF. Weighted according to the formula : 54.5% x Qtr Work GPCI + 42.3% X Practice Expense GPCI + 3.2% Malpractice GPCI. NOT BUDGET NEUTRALITY ADJUSTED.

Combined Geographic Adjustment Factor (GAF)

The combined GAF is affected by every change in this update. Exhibit ES-2 shows the overall changes in the GAF by Medicare locality. It also shows the approximate impact that each individual change had on the locality's GAF. Due to budget neutrality considerations, the figures in this exhibit are not final. All of the changes made in this update impact the GAF. However, we will discuss the changes specific to the component GPCIs in their own sections. An explanation of the Cost Share and RVU data changes follows, because these changes are not unique to one of the components.

Cost Shares

Each of the major components of RBRVS has a cost share which is developed from a survey conducted by the American Medical Association (AMA). The following table compares the cost shares developed from the 1987, 1989, and 1997 AMA Surveys.

Table ES-3

GPCI (MEI) COST SHARE WEIGHTS

Expense Category	1987 AMA Survey	1989 AMA Survey	1997 AMA Survey
Work (Earnings)	**54.2%**	**54.2%**	**54.5%**
Practice Expense	**40.2%**	**41.0%**	**42.3%**
Employee Wages	15.7%	16.3%	16.8%
Rents	11.1%	10.3%	11.6%
Equip., Supplies, Other	13.4%	14.4%	13.9%
Malpractice Insurance	**5.6%**	**4.8%**	**3.2%**
TOTAL	**100.0%**	**100.0%**	**100.0%**

Overall these new weighting have a minor impact on the GAF, decreasing the weighting for Malpractice Premiums, Equip., Supplies, Other, while increasing the weighting of Work, Employee Wages, and Office Rent. The total impact to the GAF is shown in Table ES-2.

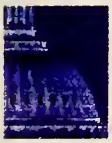
RVU Data

As stated earlier, 1998 National Claims History RVU weights are incorporated in this update of the GPCI. The impact of the new RVU weights on the GAF is shown in Table ES-2.

Work GPCI

The physician work GPCI continues to be based on the 1990 Decennial Census wage data. This GPCI will be updated with the 2000 Decennial Census wage data when it becomes available. At the time of the last update, Health Economics Research Inc., (HER), considered many different options that could be undertaken to update the GPCI more often. After analyzing several data sources, they concluded that more frequent updates, given the available data, would only create small changes at the cost of too much random noise being introduced to the index. For a complete discussion, please consult the December 1996 HER Report.

The Physician Work GPCI is impacted by the change in RVU basis from 1994 National Claims History to 1998 National Claims History. The specific impact of this change on the work GPCI is demonstrated in Section 2 of this report.



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Practice Expense GPCI

Cost Shares

The Practice Expense component weights, brought about by the 1997 American Medical Association Survey of Physicians' cost, has some impact on the amount of variation by region. This is due to the fact that the nationally uniform Equipment, Supplies & Other component, has been decreased while the variable Employee Wages and Office Rent components have been increased.

Employee Wage Component

Similar to the Work GPCI, the Employee Wage component of the Practice Expense GPCI is based on 1990 Decennial Census wage data. For a complete discussion of why this component of the index is only being updated when census data becomes available, please see the December 1996 HER Report.

The Employee Wage Component is impacted by the change in RVU basis from 1994 National Claims History to 1998 National Claims History. The specific impact of this change on the GPCI Practice Expense is demonstrated in Section 3 of this report.

Office Rent Component

This index is based on the "Fair Market Rents" (FMRs) published by the U.S. Department of Housing and Urban Development (HUD). Although this represents residential rents, it was decided early in the implementation of RBRVS that this residential rent data was the most practical and equitable proxy for office rent differentials.

HUD publishes the data on a county basis for non-metropolitan areas and on an aggregated basis for metropolitan areas. In the past, in order to obtain county level GPCIs for metropolitan areas, county level adjustments based on census data were applied to the metropolitan area data. In the last update by HER, they concluded that the county adjustments lessened the accuracy of the rental index in some areas in each metropolitan area. It was revealed that the census-based adjustments often resulted in inappropriate rental data. Because of the extreme variability of rental costs within the boroughs of New York City, it was considered appropriate to maintain the adjustments in this single case.

The impact of the change in the office rent index is shown in Section 3.2.2 of the report.

Equipment, Supplies, Etc. Component

This index continues to be 1.00 for all counties. It has been set to 1.00 since the original GPCI was established.

Malpractice GPCI

The Malpractice GPCI is being updated with 1996-98 Malpractice Premium Data. KPMG LLP collected this data for all fifty states, Puerto Rico and Washington DC. The data was obtained from the Rate Filings maintained in the Departments of Insurance and directly from Malpractice Insurance Carriers. The premium data was normalized to a common benefit level. The county level GPCIs were created by averaging the premium data among 20 of Medicare's most representative specialties. These are the same 20 specialties that were tracked by Allied Technology and were used in the last update of the Malpractice GPCI. The weights used for this average were based on each specialty's

output of RVUs or RVU-equivalents (Anesthesiologists) for 1998. Similarly, Medicare locality level, county level 1998 RVU output was used as the weighting to obtain Medicare locality level averages.

For additional details regarding the malpractice premium data collection as well as the GPCI calculation, see Section 4 of the report.

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SECTION 1

1.0 Introduction

The Geographic Practice Cost Index (GPCI) is an input price index used to adjust Medicare Fee Schedule (MFS) payments for area variations in physicians' cost of practice. This report discusses the third update of the GPCI, which will be fully phased in on January 1, 2002. In the previous year, 2001, a transition will occur between the current GPCI and the updated GPCI, with one-half of the total change implemented in 2001. In section 1.1.2. the history of the GPCI is explained. In Sections 1.2 through 1.5, the mechanics of the GPCI calculation are explained. Section 1.6 provides an overview of the remaining report.

1.1 Background on the Geographic Practice Cost Index

1.1.1 Structure and Role of the GPCI in the Medicare Fee Schedule

The GPCI has five major categories of physician practice expenses. Each component has an associated cost share, or weight, in the index. Those shares and how they have changed over time are shown in Table ES-3. The data source of each component is shown in Table ES-1. The GPCI contains geographic indices of relative prices for four of these components: physician work, non-physician employee work, office space, and malpractice insurance. As in prior updates, no measures of geographic variation in the price of supplies, equipment, and miscellaneous inputs is reflected.

For payment purposes, the categories are grouped into three GPCIs:

(1) the Physician Work GPCI

(2) the Practice Expense GPCI, and

(3) the Malpractice Insurance GPCI.

Congress specified that one-quarter of the variation in the physician work GPCI be used to adjust Medicare Fee Schedule payments:

$$\text{quarter work GPCI} = 1 + \frac{\text{full work GPCI} - 1}{4}$$

The practice expense GPCI is comprised of the following expense categories;

- Non-physician employee wage,
- Office rental,
- Medical supplies, medical equipment, etc

according to the following formula:

Practice expense GPCI = 0.397 · (employee wage index) + 0.274 · (office rental index) + 0.329,

where 0.329 is the share of supplies, equipment, and miscellaneous expenses in the practice expense GPCI. The weights used in the practice expense GPCI are not legislated, but are revised when the GPCI cost shares are revised. These weights reflect those developed in a 1997 AMA

Survey. This represents an update from the prior study.

The three GPCIs are used to adjust MFS payments in each geographic Fee Schedule Area according to the formula:

Medicare Fee Schedule payment for service i provided in Fee Schedule Area j =

$$(RVU_{w,i} \cdot GPCI_{w,j} + RVU_{pe,i} \cdot GPCI_{pe,j} + RVU_{m,i} \cdot GPCI_{m,j}) \times \text{Conversion Factor}$$

where $RVU_{w,i}$, $RVU_{pe,i}$ and $RVU_{m,i}$ are the work, practice expense, and malpractice RVUs for service i, respectively, and $GPCI_{w,j}$, $GPCI_{pe,j}$, and $GPCI_{m,j}$ are the quarter work, practice expense, and malpractice GPCIs for Fee Schedule Area j, respectively. The conversion factor is what translates the GPCI adjusted RVUs to a dollar payment.

The sum of the three GPCIs, weighted by their shares in the overall index, is known as the Geographic Adjustment Factor, or GAF:

$$GAF = 0.545 \cdot GPCI_{w} + 0.423 \cdot GPCI_{pe} + 0.032 \cdot GPCI_{m}.$$

These weights are based on the 1997 AMA Socioeconomic Monitoring System and were already presented in Table ES-3.

The GAF is not used in MFS payments. Rather, it provides a summary measure (for a typical service) of the relative geographic payment level in an area. The geographic adjustment for any actual service will deviate from the GAF to the extent that the service's proportions of work, practice expense, and malpractice RVUs differ from those of the GAF.

1.1.2 History of the GPCI

The GPCI was developed in the late 1980's and implemented with the Medicare Fee Schedule in 1992. The original GPCI used the following data for its four component indices (Welch, Zuckerman, and Pope, 1989):

- Physician work: median hourly professional earnings from the 1980 Decennial Census;
- Non-physician employee wages: median hourly earnings of clerical personnel, registered and licensed practical nurses, and medical technicians from the 1980 Decennial Census;
- Office rental: Fiscal year (FY) 1987 Fair Market apartment rents produced by the U.S. Department of Housing and Urban Development (HUD); and
- Malpractice insurance premiums: 1985 and 1986 premiums from a Health Care Financing Administration (HCFA) survey of insurers.

The original GPCI cost shares were computed from 1987 American Medical Association (AMA) Socioeconomic Monitoring System (SMS) survey data. Geographic averages were weighted by county population.

1.1.3 First Update of the GPCI

In 1995 and 1996, the GPCI underwent a major update utilizing 1990 Census and other data (Pope and Dayhoff, 1994; Pope et al., 1994; Zuckerman and Norton, 1994). One-half of the change in the revised GPCI was implemented January 1, 1995, with transition to the final GPCIs on January 1, 1996. The following data was used in this first update of the GPCI:

- Physician work: median hourly professional earnings from the 1990 Decennial Census;
- Non-physician employee wages: median hourly earnings of administrative support personnel, registered and licensed practical nurses, and medical technicians from the 1990 Decennial Census;
- Office rental: Fiscal Year (FY) 1994 Fair Market apartment rents produced by the Department of Housing and Urban Development; and
- Malpractice insurance premiums: 1990, 1991, and 1992 premiums from a HCFA/Urban Institute survey of insurers.

The updated GPCI cost shares were computed by the Office of the Actuary at HCFA using 1989 AMA SMS data. Geographic averages were weighted by 1992 county relative value units.

1.1.4 Change in Medicare Localities

For 1997, there was no change in the data underlying the GPCIs. However, HCFA enacted a major reorganization of the Medicare Fee Schedule Areas (FSAs) that took effect January 1, 1997 (Federal Register / Vol. 61, No. 227 / November 22, 1996). This change in geographic basis altered GPCIs in many areas significantly. We discuss and describe the new FSAs in more detail in Section 1.3.

1.1.5 Second Update of the GPCI

HCFA contracted with Health Economics Research, Inc. to undertake the second update of the GPCI, which was fully implemented on January 1, 1999. By law, this GPCI update was phased-in over a two year period.

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The second update incorporated several methodological changes:

- Substitution of RVU weights for charge based weights
- County Rental adjustments for metropolitan areas were eliminated for all areas except New York City.

The second update also incorporated new data:

- RVU weights were updated to 1994
- Office Rent Index was updated using FY 1996 HUD Fair Market Rents
- Malpractice Index was updated using 1992-94 malpractice premiums

1.1.6 Third Update of the GPCI

By law, HCFA is required to review and update the GPCI every three years. The purpose of the update is to maintain a GPCI that accurately measures current geographic differences across areas in physicians' cost of practice. KPMG LLP was contracted to perform this third update of the GPCI. This update will also be phased-in over a two year period (2001-2002). Although there are no methodological changes for this update, several datasets are being updated:

- RVU weights are updated to 1998
- Office Rent Indices are updated using FY 2000 HUD Fair Market Rents
- Malpractice Indices are updated using 1996-98 malpractice premiums

We now discuss several issues in the GPCI computation that will serve as background to the rest of the report. Then, in Section 1.6, we provide an overview of the remainder of the report.

1.2 Cost Shares

As part of the first update of the GPCI, HCFA made a policy decision to keep the GPCI cost shares consistent with those of the Medicare Economic Index or MEI (Dayhoff, Schneider, and Pope, 1994). The MEI is used to construct the annual market basket update for Medicare physician payments. Through this policy, the cost shares of HCFA's two major indices of physician input prices will be consistent: the GPCI, which measures geographic variation in input prices, and the MEI, which measures inflation in input prices. The MEI cost shares are periodically updated by HCFA's Office of the Actuary (OACT). This GPCI update incorporates the new weights established by a 1997 AMA Survey. The cost shares that have been used over time are shown in table ES-3. These new cost shares were first published in the June 5, 1998 Federal Register.

1.3 Fee Schedule Areas

The GPCI is defined for geographic areas with varying level of input prices. Historically, these areas were known as the "Medicare payment localities". Prior to implementation of the MFS in 1992, there were 240 such areas. By 1995, the number of payment localities had fallen to 210 as several multi-locality states combined into single statewide areas. HCFA contracted with Health Economics Research, Inc. (HER) to evaluate options to revise the Medicare payment localities. HER's final report to HCFA was submitted on November 1, 1995 (Pope, Tarantino, Dayhoff, and Hwang, 1995).

Based on one of the options analyzed in HER's report, HCFA adopted 89 "Fee Schedule Areas", or FSAs, to be implemented on January 1, 1997 (Federal Register / Vol. 61, No. 227 / November 22, 1996). The FSAs establish statewide areas except in cases where input prices in an existing payment locality are sufficiently greater than those of lower-price payment localities in a state. Under HCFA's revised system, 34 states have a single statewide FSA; the District of Columbia together with

surrounding counties in Maryland and Virginia constitute a FSA; Puerto Rico and the Virgin Islands are each a FSA; and 16 states have multiple FSAs. The 89 FSAs are listed alphabetically by state with constituent counties in Appendix B. Generally, in multi-FSA states, the larger, high-price metropolitan areas remain distinct FSAs, with the rest of the state grouped into a single FSA.

We use the 1997 FSAs as the geographic basis for the text tables in this report. Appendix A also contains tables of the indices by state because HCFA has a policy of allowing states to become a single statewide FSA if there is "overwhelming support" from physicians in the state (Federal Register / Vol. 61, No. 128 / July 2, 1996).

1.4 Relative Value Unit Weights

Each Fee Schedule Area's GPCIs are derived from a county file of input prices. Average input prices for a Fee Schedule Area are divided by national average input prices to create index values. To create average input prices for FSAs, and for the nation as a whole, county prices are average weighted by county relative value units (RVUs). Weights are used to reflect the frequency of Medicare services provided in different counties. RVUs are the weights because they are a dollar neutral measure of physician output. Dollar weighting would, in a sense, reflect double counting because the underlying Allowed Charges would represent regional cost differences in addition to the Indices that were being averaged. The work GPCI is weighted by work RVUs, the practice expense GPCI by practice expense RVUs, and the malpractice GPCI by malpractice RVUs.

The 1997 GPCIs are weighted by calender year 1992 county RVUs. For the 1999 GPCIs, work, practice expense, and malpractice county RVU weights for calender year 1994 were derived from HCFA's 1994 National Claims History Physician Zipcode Summary File. The 2002 GPCIs are weighted using the 1998 National Claims History File. Each of the observations in the file consists

of an unique combination of physician zip code, Medicare carrier and locality number and the year that the expenditure was incurred. HCFA used the zip code to assign FIPS state and county designations using a U.S. Postal Service zip code to county crosswalk. The RVU data that could not be mapped due to lack of a matching zip code amounted to 0.7% of the RVU data.

1.5 Budget Neutrality Adjustment

The final step in the computation of the GPCIs is an adjustment for budget neutrality. This adjustment is made by the Office of the Actuary at HCFA so that implementation of a new GPCI does not affect the overall level of Medicare payments. In practice, OACT calculates factors by which each of the three GPCIs - work, practice expense, and malpractice - are multiplied to ensure budget neutrality. This Draft Report does not include a budget neutrality adjustment to the GPCIs.

All indices in this report are normalized to relative-value-unit-weighted averages across all Medicare localities. In the past HER report, this normalization was only performed on the 50 US States and Washington, D.C. However, since all three GPCIs are re-normalized by OACT for budget neutrality, the particular normalization chosen for this report has no influence on the final GPCIs implemented by HCFA.

1.6 Overview of the Report

The remainder of the remaining three Sections address each major GPCI. Section 2 addresses the Work GPCI which is only impacted by the change in the RVU weights. Section 3 presents the Practice Expense GPCI and shows an analysis of the change in this GPCI due to: 1.) Change in the RVU dataset 2.) Updating the Office Rent data 3.) Change in the Cost Shares. Section 4 summarizes our survey of Physician Malpractice premium rates and provides an analysis of the change in the Malpractice GPCI.

The text analysis focuses on HCFA's 1997 Fee Schedule Areas or Medicare localities as the geographic unit, and on changes from 1999 to 2002 in the indices. In the text tables, FSAs are ranked in descending order of their 1999 to 2002 change. [In Appendix A, tables are presented in alphabetical order by state, and FSA name within state. Appendix A also presents tables of indices by state. Appendix B lists HCFA's 1997 Fee Schedule Areas with constituent counties.]

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SECTION 2

2.0 Physician Work GPCI

2002 Versus 1999 Work GPCI

The only change in the Physician Work GPCI is the inclusion of new 1998 RVU weighting data from the National Claims History File.

The GPCI indices are first calculated on a county level and then aggregated on the Medicare locality level. A weighting is needed for this weighted average calculation. At one time, charge data was used for this purpose. The last update of the GPCI, performed by HER, changed the basis to RVU weighting. The RVU data used by HER was taken from the 1994 National Claims History file. This update of the GPCI uses RVU data taken from the 1998 National Claims History file.

The impact of updating the RVU data is typically negligible in the majority of Medicare localities. For a very few Medicare localities, there is a noticeable impact.

2.1 Work GPCI Impact Analysis

Table 2-1 shows the 1999 Work GPCI compared to the 2002 GPCI. Notice that every locality increases. This is primarily because an adjustment of +.3% was made to each Medicare locality to normalize the GPCI.

County level indices are first derived by dividing each county's median hourly professional earnings from the 1990 Decennial Census by the nationwide average. The nationwide average is calculated

by taking a weighted average of each county's earnings and it's Work RVU output. Because Work RVUs change over time, the average also changes over time. This update of the GPCI incorporated 1998 RVU data in place of 1994 RVU data. This normalization factor and it's application to the County level GPCIs are shown below in terms of formulae:

(Σ RVU $_{COUNTY}$ X PRELIMINARY GPCI $_{COUNTY}$) * Normalization Factor = Total RVUs

PRELIMINARY GPCI $_{COUNTY}$ * Normalization Factor = GPCI $_{COUNTY}$

The normalization factor required for the Work GPCI is 1.003. Excepting this adjustment, the Work GPCIs do not change materially.

As indicated in Section 1.5, since all three GPCIs are re-normalized by OACT for budget neutrality, the particular normalization chosen for this report has no influence on the final GPCIs implemented by HCFA Medicare Fee Schedule payments.

Table 2-1: Comparison of 1999 and 2002 Quarter Work GPCI
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	1999	2002	Difference	Percentage Difference
00901	01	BALTIMORE/SURR. CNTYS, MD	1.019	1.024	0.005	0.49%
31143	01	METROPOLITAN BOSTON	1.039	1.044	0.005	0.48%
00740	99	REST OF MISSOURI*	0.945	0.949	0.004	0.42%
00523	99					
00826	00	IOWA	0.958	0.962	0.004	0.42%
00952	99	REST OF ILLINOIS	0.963	0.967	0.004	0.42%
10240	00	MINNESOTA	0.989	0.993	0.004	0.40%
00953	99	REST OF MICHIGAN	0.996	1.000	0.004	0.40%
00803	03	POUGHKPSIE/N NYC SUBURBS, NY	1.010	1.014	0.004	0.40%
31140	03	MARIN/NAPA/SOLANO, CA	1.014	1.018	0.004	0.39%
00952	16	CHICAGO, IL	1.027	1.031	0.004	0.39%
02050	17	VENTURA, CA	1.027	1.031	0.004	0.39%
00805	99	REST OF NEW JERSEY	1.028	1.032	0.004	0.39%
02050	26	ANAHEIM/SANTA ANA, CA	1.036	1.040	0.004	0.39%
31140	07	OAKLAND/BERKLEY, CA	1.040	1.044	0.004	0.38%
00953	01	DETROIT, MI	1.042	1.046	0.004	0.38%
31140	06	SAN MATEO, CA	1.047	1.051	0.004	0.38%
10230	00	CONNECTICUT	1.049	1.053	0.004	0.38%
02050	18	LOS ANGELES, CA	1.055	1.059	0.004	0.38%
00805	01	NORTHERN NJ	1.057	1.061	0.004	0.38%
14330	04	QUEENS, NY	1.057	1.061	0.004	0.38%
31140	09	SANTA CLARA, CA	1.062	1.066	0.004	0.38%
00831	01	ALASKA	1.063	1.067	0.004	0.38%
00803	02	NYC SUBURBS/LONG I., NY	1.067	1.071	0.004	0.37%
31140	05	SAN FRANCISCO, CA	1.067	1.071	0.004	0.37%
00803	01	MANHATTAN, NY	1.093	1.097	0.004	0.37%
00820	02	SOUTH DAKOTA	0.935	0.938	0.003	0.32%
00820	01	NORTH DAKOTA	0.950	0.953	0.003	0.32%
00520	13	ARKANSAS	0.953	0.956	0.003	0.31%
10250	00	MISSISSIPPI	0.957	0.960	0.003	0.31%
05130	00	IDAHO	0.960	0.963	0.003	0.31%
31142	99	REST OF MAINE	0.961	0.964	0.003	0.31%
00835	99	REST OF OREGON	0.961	0.964	0.003	0.31%
00650	00	KANSAS*	0.963	0.966	0.003	0.31%
00740	04					
16510	16	WEST VIRGINIA	0.963	0.966	0.003	0.31%
00973	50	VIRGIN ISLANDS	0.965	0.968	0.003	0.31%
00900	99	REST OF TEXAS	0.966	0.969	0.003	0.31%
00825	21	WYOMING	0.967	0.970	0.003	0.31%
00660	00	KENTUCKY	0.970	0.973	0.003	0.31%
05535	00	NORTH CAROLINA	0.970	0.973	0.003	0.31%
00511	99	REST OF GEORGIA	0.970	0.973	0.003	0.31%
00521	05	NEW MEXICO	0.973	0.976	0.003	0.31%
31145	50	VERMONT	0.973	0.976	0.003	0.31%
00590	99	REST OF FLORIDA	0.975	0.978	0.003	0.31%
05440	35	TENNESSEE	0.975	0.978	0.003	0.31%
00510	00	ALABAMA	0.978	0.981	0.003	0.31%
31142	03	SOUTHERN MAINE	0.979	0.982	0.003	0.31%
00630	00	INDIANA	0.981	0.984	0.003	0.31%
00951	00	WISCONSIN	0.981	0.984	0.003	0.31%
00900	31	AUSTIN, TX	0.986	0.989	0.003	0.30%
00900	28	FORT WORTH, TX	0.987	0.990	0.003	0.30%
00952	12	EAST ST. LOUIS, IL	0.988	0.991	0.00	0.30%

Table 2-1: Comparison of 1999 and 2002 Quarter Work GPCI
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	1999	2002	Difference	Percentage Difference
00900	15	GALVESTON, TX	0.988	0.991	0.003	0.30%
00740	02	METROPOLITAN KANSAS CITY, MO	0.988	0.991	0.003	0.30%
00865	99	REST OF PENNSYLVANIA	0.989	0.992	0.003	0.30%
00900	20	BEAUMONT, TX	0.992	0.995	0.003	0.30%
00900	09	BRAZORIA, TX	0.992	0.995	0.003	0.30%
00523	01	METROPOLITAN ST. LOUIS, MO	0.994	0.997	0.003	0.30%
00590	03	FORT LAUDERDALE, FL	0.996	0.999	0.003	0.30%
00835	01	PORTLAND, OR	0.996	0.999	0.003	0.30%
00528	01	NEW ORLEANS, LA	0.998	1.001	0.003	0.30%
00834	00	NEVADA	1.005	1.008	0.003	0.30%
00836	02	SEATTLE (KING CNTY), WA	1.005	1.008	0.003	0.30%
00511	01	ATLANTA, GA	1.006	1.009	0.003	0.30%
00952	15	SUBURBAN CHICAGO, IL	1.006	1.009	0.003	0.30%
00900	11	DALLAS, TX	1.010	1.013	0.003	0.30%
31143	99	REST OF MASSACHUSETTS	1.010	1.013	0.003	0.30%
00590	04	MIAMI, FL	1.015	1.018	0.003	0.30%
00902	01	DELAWARE	1.019	1.022	0.003	0.29%
00900	18	HOUSTON, TX	1.020	1.023	0.003	0.29%
00903	01	DC + MD/VA SUBURBS	1.050	1.053	0.003	0.29%
00973	20	PUERTO RICO	0.882	0.884	0.002	0.23%
00655	00	NEBRASKA	0.949	0.951	0.002	0.21%
00751	01	MONTANA	0.951	0.953	0.002	0.21%
00522	00	OKLAHOMA	0.969	0.971	0.002	0.21%
00528	99	REST OF LOUISIANA	0.969	0.971	0.002	0.21%
00880	01	SOUTH CAROLINA	0.975	0.977	0.002	0.21%
00910	09	UTAH	0.977	0.979	0.002	0.20%
00836	99	REST OF WASHINGTON	0.982	0.984	0.002	0.20%
00901	99	REST OF MARYLAND	0.985	0.987	0.002	0.20%
10490	00	VIRGINIA	0.985	0.987	0.002	0.20%
00832	00	ARIZONA	0.995	0.997	0.002	0.20%
00833	01	HAWAII/GUAM	0.998	1.000	0.002	0.20%
00801	99	REST OF NEW YORK	0.999	1.001	0.002	0.20%
02050	99	REST OF CALIFORNIA*	1.008	1.010	0.002	0.20%
31140	99					
00870	01	RHODE ISLAND	1.018	1.020	0.002	0.20%
00865	01	METROPOLITAN PHILADELPHIA, PA	1.024	1.026	0.002	0.20%
00824	01	COLORADO	0.987	0.988	0.001	0.10%
31144	40	NEW HAMPSHIRE	0.988	0.989	0.001	0.10%
16360	00	OHIO	0.990	0.991	0.001	0.10%

Notes:
*- Indicates multiple carriers for this Fee Schedule Area.
Source of 1999 Quarter Work GPCI is the table of 1999 GPCIs available at www.hcfa.gov.
1999 Quarter Work GPCIs have been budget neutrality adjusted.

The 2002 Quarter Work GPCIs have NOT been budget neutrality adjusted.

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SECTION 3

3.0 Practice Expense GPCI

The Practice Expense GPCI is the only GPCI to have component indices. Because Practice Expenses are too broad and general a category for a single factor, the index is the average of three separate indices. These component indices are: Employee Wages, Office Rent, and Equipment, Supplies & Other. Of these, Employee Wages is the largest component (39.7%). Equipment, Supplies & Other is the second largest (32.9%). Office Rent is the smallest component (27.4%).

3.1 Employee Wage Index

The only change in the Employee Wage Index is the inclusion of new 1998 RVU weighting data from the National Claims History File.

The GPCI indices are first calculated on a county level and then aggregated on the Medicare locality level. A weighting is needed for this weighted average calculation. At one time, charge date was used for this purpose. The last update of the GPCI, performed by HER, changed the basis to RVU weighting. The RVU data used by HER was taken from the 1994 National Claims History file. This update of the GPCI uses RVU data taken from the 1998 National Claims History file.

The impact of updating the RVU data is typically negligible in the majority of Medicare localities. For a very few Medicare localities, there is a noticeable impact.

Table 3-1: Comparison of 1999 and 2002 Employee Wage Index
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	Employee Wage Index 1999	2002	Difference	Percentage Difference
00740	99	REST OF MISSOURI*	0.789	0.808	0.019	2.41%
00523	99					
00803	03	POUGHKPSIE/N NYC SUBURBS, NY	1.015	1.034	0.019	1.87%
00901	01	BALTIMORE/SURR. CNTYS, MD	1.078	1.098	0.020	1.86%
31143	01	METROPOLITAN BOSTON	1.258	1.280	0.022	1.75%
00820	02	SOUTH DAKOTA	0.800	0.813	0.013	1.62%
00952	99	REST OF ILLINOIS	0.865	0.879	0.014	1.62%
00520	13	ARKANSAS	0.825	0.838	0.013	1.58%
00952	15	SUBURBAN CHICAGO, IL	1.034	1.050	0.016	1.55%
00630	00	INDIANA	0.912	0.926	0.014	1.54%
10240	00	MINNESOTA	0.980	0.995	0.015	1.53%
31140	03	MARIN/NAPA/SOLANO, CA	1.184	1.202	0.018	1.52%
00522	00	OKLAHOMA	0.882	0.895	0.013	1.47%
00900	20	BEAUMONT, TX	0.895	0.908	0.013	1.45%
31145	50	VERMONT	0.969	0.983	0.014	1.44%
00528	01	NEW ORLEANS, LA	0.980	0.994	0.014	1.43%
00826	00	IOWA	0.842	0.854	0.012	1.43%
31142	99	REST OF MAINE	0.915	0.928	0.013	1.42%
16510	16	WEST VIRGINIA	0.845	0.857	0.012	1.42%
00511	01	ATLANTA, GA	1.061	1.076	0.015	1.41%
31140	07	OAKLAND/BERKLEY, CA	1.275	1.293	0.018	1.41%
31142	03	SOUTHERN MAINE	0.997	1.011	0.014	1.40%
14330	04	QUEENS, NY	1.292	1.310	0.018	1.39%
00865	99	REST OF PENNSYLVANIA	0.934	0.947	0.013	1.39%
00900	09	BRAZORIA, TX	0.939	0.952	0.013	1.38%
00803	01	MANHATTAN, NY	1.375	1.394	0.019	1.38%
00952	16	CHICAGO, IL	1.087	1.102	0.015	1.38%
31140	09	SANTA CLARA, CA	1.310	1.328	0.018	1.37%
00528	99	REST OF LOUISIANA	0.875	0.887	0.012	1.37%
00836	02	SEATTLE (KING CNTY), WA	1.097	1.112	0.015	1.37%
00953	99	REST OF MICHIGAN	0.953	0.966	0.013	1.36%
00825	21	WYOMING	0.880	0.892	0.012	1.36%
00870	01	RHODE ISLAND	1.100	1.115	0.015	1.36%
10230	00	CONNECTICUT	1.250	1.267	0.017	1.36%
10250	00	MISSISSIPPI	0.809	0.820	0.011	1.36%
00952	12	EAST ST. LOUIS, IL	0.957	0.970	0.013	1.36%
02050	26	ANAHEIM/SANTA ANA, CA	1.179	1.195	0.016	1.36%
00900	11	DALLAS, TX	1.034	1.048	0.014	1.35%
00973	50	VIRGIN ISLANDS	0.887	0.899	0.012	1.35%
00903	01	DC + MD/VA SUBURBS	1.190	1.206	0.016	1.34%
00831	01	ALASKA	1.266	1.283	0.017	1.34%
02050	17	VENTURA, CA	1.120	1.135	0.015	1.34%
00835	01	PORTLAND, OR	1.047	1.061	0.014	1.34%
00900	28	FORT WORTH, TX	0.976	0.989	0.013	1.33%
00523	01	METROPOLITAN ST. LOUIS, MO	0.976	0.989	0.013	1.33%
31140	05	SAN FRANCISCO, CA	1.353	1.371	0.018	1.33%
02050	18	LOS ANGELES, CA	1.203	1.219	0.016	1.33%
00900	15	GALVESTON, TX	0.978	0.991	0.013	1.33%
00740	02	METROPOLITAN KANSAS CITY, MO	0.979	0.992	0.013	1.33%
31140	06	SAN MATEO, CA	1.289	1.306	0.017	1.32%
00805	01	NORTHERN NJ	1.217	1.233	0.016	1.31%
00805	99	REST OF NEW JERSEY	1.070	1.084	0.014	1.31%
00820	01	NORTH DAKOTA	0.842	0.853	0.011	1.31%

Table 3-1: Comparison of 1999 and 2002 Employee Wage Index
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	Employee Wage Index 1999	2002	Difference	Percentage Difference
05535	00	NORTH CAROLINA	0.922	0.934	0.012	1.30%
05130	00	IDAHO	0.852	0.863	0.011	1.29%
00803	02	NYC SUBURBS/LONG I., NY	1.246	1.262	0.016	1.28%
00900	18	HOUSTON, TX	1.034	1.047	0.013	1.26%
00880	01	SOUTH CAROLINA	0.887	0.898	0.011	1.24%
00833	01	HAWAII/GUAM	1.054	1.067	0.013	1.23%
00511	99	REST OF GEORGIA	0.893	0.904	0.011	1.23%
00902	01	DELAWARE	1.061	1.074	0.013	1.23%
00835	99	REST OF OREGON	0.906	0.917	0.011	1.21%
00953	01	DETROIT, MI	1.072	1.085	0.013	1.21%
00590	03	FORT LAUDERDALE, FL	0.991	1.003	0.012	1.21%
00973	20	PUERTO RICO	0.498	0.504	0.006	1.20%
00751	01	MONTANA	0.838	0.848	0.010	1.19%
00900	31	AUSTIN, TX	0.923	0.934	0.011	1.19%
10490	00	VIRGINIA	0.924	0.935	0.011	1.19%
00900	99	REST OF TEXAS	0.847	0.857	0.010	1.18%
00510	00	ALABAMA	0.860	0.870	0.010	1.16%
00660	00	KENTUCKY	0.862	0.872	0.010	1.16%
00801	99	REST OF NEW YORK	0.951	0.962	0.011	1.16%
00590	04	MIAMI, FL	1.044	1.056	0.012	1.15%
00836	99	REST OF WASHINGTON	0.966	0.977	0.011	1.14%
00650	00	KANSAS*	0.886	0.896	0.010	1.13%
00740	04					
00590	99	REST OF FLORIDA	0.906	0.916	0.010	1.10%
00655	00	NEBRASKA	0.826	0.835	0.009	1.09%
00951	00	WISCONSIN	0.921	0.931	0.010	1.09%
31144	40	NEW HAMPSHIRE	1.022	1.033	0.011	1.08%
00865	01	METROPOLITAN PHILADELPHIA, PA	1.118	1.130	0.012	1.07%
00832	00	ARIZONA	0.955	0.965	0.010	1.05%
05440	35	TENNESSEE	0.895	0.904	0.009	1.01%
31143	99	REST OF MASSACHUSETTS	1.125	1.136	0.011	0.98%
00834	00	NEVADA	1.028	1.038	0.010	0.97%
00521	05	NEW MEXICO	0.871	0.879	0.008	0.92%
00910	09	UTAH	0.877	0.885	0.008	0.91%
02050	99	REST OF CALIFORNIA*	1.061	1.070	0.009	0.85%
31140	99					
16360	00	OHIO	0.963	0.970	0.007	0.73%
00901	99	REST OF MARYLAND	0.948	0.951	0.003	0.32%
00824	01	COLORADO	0.951	0.954	0.003	0.32%

Notes:
*- Indicates multiple carriers for this Fee Schedule Area.
Source of 1999 Employee Wage Index is table A-3 of the December 1996 HER report.

Neither Employee Wage Index reflects budget neutrality adjusting.

3.1.1 Employee Wage Index Impact Analysis

The Employee Wage Index increases in every locality due to a +1.4% normalization adjustment. For a complete discussion of GPCI normalization see 2.1 Work GPCI Impact Analysis. Similar to the Work GPCI, the changes in the Employee Wage Indices are minimal. The primary change being due to normalization with the remaining changes due to changes in RVU weights by county within the locality.

3.2 Office Rent Index

This index represents the relative cost of office rent space by geographic area. Because there is no suitable nationwide data for relative physician office space cost, the "Fair Market Rent" two bedroom apartment rents published by the U.S. Department of Housing and Urban Development (HUD) for use in the Section 8 rental subsidy program continues to be used as a proxy. The assumption that residential rents are a reasonable proxy for relative office rents has been validated (see Pope *et el.*, 1994). HUD publishes the updated FMRs annually. The FMRs are compared every ten years to the Decennial Census Data, and are updated in the interim years using other surveys.

This update of the Office Rent Index does not incorporate any methodological changes. Section 3.2.1 presents some additional background information regarding the Office Rent Index. Section 3.2.2 presents the impact that the new rental data has on the index.

3.2.1 Fiscal Year 2000 Fair Market Rents

This update of the GPCI utilizes FY2000 HUD Fair Market Rent data. Fair Market Rents are developed by HUD in support of their Housing Assistance payments. The Fair Market Rent data is established first through the previous census data (currently 1990 census data). It is then updated for the largest metropolitan areas using annual surveys which have comparable reliability to the census. Outside of the largest metropolitan areas, random sampling is used to prepare annual updates to the rent estimates. The FMRs are trended using CPI data for rents and utilities as well as information from the previously mentioned surveys.

For each county, HUD uses a rental index which is the greater of the 40th percentile for the area or the statewide non-metropolitan county average. This could potentially impact the GPCI, artificially inflating localities which have a disproportionate amount of counties below the statewide average.

Because HUD does not provide county level rental data for metropolitan areas, at one time HUD metropolitan data was adjusted back to the county level using a special run of the census data. In the last update of the GPCI, HER found that for most metropolitan areas this was not only immaterial but in many cases provided a county level rental index that was inaccurate. (This could happen if county level rents within the metropolitan area trended at different rates from the previous census). For this reason, HER elected to discontinue the county level adjustments for every metropolitan area with the exception of New York City. For all other metropolitan areas, there is a uniform rental index shared by every county in the metropolitan area. In New York City, because the rent relativities between boroughs are extreme, the census relativities continue to be used.

3.2.2 Impact Analysis for Changes in Office Rent Data

Because the Office Rent Indices not only reflect new RVU weights but also reflect new FY2000 HUD Rental Data, this Index has some of the most dramatic changes. The data is normalized to a nationwide "average" (this is not strictly an average because of the use of 40th percentile and statewide non-metropolitan average rent - see section 3.2.1) based on Practice Expense RVUs and HUD rental data.

The largest increases are seen in San Francisco, CA and San Mateo, CA (both part of the same metropolitan area); interestingly, these areas were among the largest decreases in the previous GPCI update. These changes are supported by the underlying historical HUD data. From 1994 to 1996 rents declined in these areas (FY1996 was the basis for the previous GPCI update.) However, from 1996 and on rents in these areas have surged from a $950 rental in 1996, to a $1362 rental in 2000. The Santa Clara, CA, Oakland/Berkeley, CA and the Marin/Napa/Solana, CA areas were also among the largest decreases in the previous update and the largest increases in this update. It appears that the entire San Francisco Bay Area has followed a similar pattern of declining rents until 1996 and climbing rents thereafter.

Areas with the most significant decreases include Hawaii and Los Angeles. Hawaii also significantly decreased in the previous GPCI update.

Areas experiencing significant (+10% or more) increases include: "Dallas, TX", "Utah", "Rest of Massachusetts", "Colorado", "Portland, OR", and "Metropolitan Kansas City, MO".

Table 3-2: Comparison of 1999 and 2002 Office Rent Index
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	Office Rent Index 1999	Office Rent Index 2002	Difference	Percentage Difference
31140	05	SAN FRANCISCO, CA	1.629	2.174	0.545	33.5%
31140	06	SAN MATEO, CA	1.629	2.174	0.545	33.5%
31140	09	SANTA CLARA, CA	1.548	1.949	0.401	25.9%
31140	03	MARIN/NAPA/SOLANO, CA	1.346	1.647	0.301	22.4%
00900	11	DALLAS, TX	1.005	1.196	0.191	19.0%
00910	09	UTAH	0.827	0.978	0.151	18.3%
31143	99	REST OF MASSACHUSETTS	1.170	1.308	0.138	11.8%
00824	01	COLORADO	0.956	1.066	0.110	11.5%
00835	01	PORTLAND, OR	1.006	1.120	0.114	11.3%
00740	02	METROPOLITAN KANSAS CITY, MO	0.828	0.916	0.088	10.6%
00511	01	ATLANTA, GA	1.034	1.136	0.102	9.9%
31143	01	METROPOLITAN BOSTON	1.369	1.504	0.135	9.9%
31140	07	OAKLAND/BERKLEY, CA	1.339	1.470	0.131	9.8%
00953	01	DETROIT, MI	0.971	1.045	0.074	7.6%
05535	00	NORTH CAROLINA	0.817	0.869	0.052	6.4%
16360	00	OHIO	0.812	0.863	0.051	6.3%
00655	00	NEBRASKA	0.770	0.817	0.047	6.1%
00900	28	FORT WORTH, TX	0.921	0.977	0.056	6.1%
00836	02	SEATTLE (KING CNTY), WA	1.162	1.232	0.070	6.0%
05440	35	TENNESSEE	0.758	0.800	0.042	5.5%
00820	02	SOUTH DAKOTA	0.809	0.853	0.044	5.4%
00952	99	REST OF ILLINOIS	0.756	0.797	0.041	5.4%
00820	01	NORTH DAKOTA	0.761	0.800	0.039	5.1%
00630	00	INDIANA	0.806	0.847	0.041	5.1%
10240	00	MINNESOTA	0.896	0.940	0.044	4.9%
00832	00	ARIZONA	0.955	1.000	0.045	4.7%
00805	99	REST OF NEW JERSEY	1.261	1.312	0.051	4.0%
16510	16	WEST VIRGINIA	0.659	0.685	0.026	3.9%
00825	21	WYOMING	0.769	0.799	0.030	3.9%
00880	01	SOUTH CAROLINA	0.795	0.825	0.030	3.8%
00902	01	DELAWARE	1.013	1.051	0.038	3.8%
00751	01	MONTANA	0.766	0.794	0.028	3.7%
00834	00	NEVADA	1.078	1.117	0.039	3.6%
00510	00	ALABAMA	0.713	0.738	0.025	3.5%
00650	00	KANSAS*	0.772	0.793	0.021	2.7%
00740	04					
00803	02	NYC SUBURBS/LONG I., NY	1.535	1.573	0.038	2.5%
31145	50	VERMONT	0.980	1.004	0.024	2.4%
00953	99	REST OF MICHIGAN	0.829	0.848	0.019	2.3%
00865	99	REST OF PENNSYLVANIA	0.826	0.844	0.018	2.2%
00900	09	BRAZORIA, TX	1.001	1.018	0.017	1.7%
00740	99	REST OF MISSOURI*	0.651	0.662	0.011	1.7%
00523	99					
00522	00	OKLAHOMA	0.713	0.725	0.012	1.7%
00900	18	HOUSTON, TX	0.972	0.988	0.016	1.6%
00590	99	REST OF FLORIDA	0.936	0.951	0.015	1.6%
00900	15	GALVESTON, TX	0.910	0.924	0.014	1.5%
00951	00	WISCONSIN	0.854	0.866	0.012	1.4%
00865	01	METROPOLITAN PHILADELPHIA, PA	1.162	1.178	0.016	1.4%
10490	00	VIRGINIA	0.881	0.892	0.011	1.2%
00826	00	IOWA	0.778	0.785	0.007	0.9%
00523	01	METROPOLITAN ST. LOUIS, MO	0.807	0.814	0.007	0.9%

Table 3-2: Comparison of 1999 and 2002 Office Rent Index
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	Office Rent Index 1999	Office Rent Index 2002	Difference	Percentage Difference
00520	13	ARKANSAS	0.698	0.704	0.006	0.9%
00511	99	REST OF GEORGIA	0.765	0.771	0.006	0.8%
00952	16	CHICAGO, IL	1.207	1.216	0.009	0.7%
00952	15	SUBURBAN CHICAGO, IL	1.207	1.216	0.009	0.7%
00528	01	NEW ORLEANS, LA	0.826	0.832	0.006	0.7%
00952	12	EAST ST. LOUIS, IL	0.787	0.792	0.005	0.6%
00835	99	REST OF OREGON	0.896	0.901	0.005	0.6%
00900	99	REST OF TEXAS	0.791	0.795	0.004	0.5%
00903	01	DC + MD/VA SUBURBS	1.335	1.341	0.006	0.4%
00660	00	KENTUCKY	0.719	0.721	0.002	0.3%
00836	99	REST OF WASHINGTON	0.957	0.958	0.001	0.1%
00900	20	BEAUMONT, TX	0.758	0.758	-	0.0%
10250	00	MISSISSIPPI	0.690	0.690	-	0.0%
00901	01	BALTIMORE/SURR. CNTYS, MD	1.027	1.026	(0.001)	-0.1%
31144	40	NEW HAMPSHIRE	1.091	1.089	(0.002)	-0.2%
00900	31	AUSTIN, TX	1.118	1.111	(0.007)	-0.6%
00521	05	NEW MEXICO	0.844	0.837	(0.007)	-0.8%
00528	99	REST OF LOUISIANA	0.721	0.715	(0.006)	-0.8%
00805	01	NORTHERN NJ	1.415	1.399	(0.016)	-1.1%
00870	01	RHODE ISLAND	1.111	1.098	(0.013)	-1.2%
05130	00	IDAHO	0.801	0.791	(0.010)	-1.2%
00831	01	ALASKA	1.265	1.249	(0.016)	-1.3%
02050	99	REST OF CALIFORNIA	1.068	1.050	(0.018)	-1.7%
31140	99					
00590	03	FORT LAUDERDALE, FL	1.114	1.090	(0.024)	-2.2%
00901	99	REST OF MARYLAND	1.020	0.995	(0.025)	-2.5%
02050	17	VENTURA, CA	1.329	1.294	(0.035)	-2.6%
31142	99	REST OF MAINE	0.827	0.801	(0.026)	-3.1%
02050	26	ANAHEIM/SANTA ANA, CA	1.474	1.422	(0.052)	-3.5%
00803	01	MANHATTAN, NY	1.808	1.744	(0.064)	-3.5%
14330	04	QUEENS, NY	1.466	1.414	(0.052)	-3.5%
00801	99	REST OF NEW YORK	0.909	0.875	(0.034)	-3.7%
00973	50	VIRGIN ISLANDS	1.309	1.260	(0.049)	-3.7%
00973	20	PUERTO RICO	0.715	0.688	(0.027)	-3.8%
00803	03	POUGHKPSIE/N NYC SUBURBS, NY	1.305	1.254	(0.051)	-3.9%
10230	00	CONNECTICUT	1.283	1.215	(0.068)	-5.3%
00590	04	MIAMI, FL	1.232	1.139	(0.093)	-7.5%
31142	03	SOUTHERN MAINE	1.119	1.009	(0.110)	-9.8%
00833	01	HAWAII/GUAM	1.639	1.389	(0.250)	-15.3%
02050	18	LOS ANGELES, CA	1.466	1.223	(0.243)	-16.6%

Notes:
*- Indicates multiple carriers for this Fee Schedule Area.
Source of 1999 Office Rent Index is table A-3 of the December 1996 HER report.

Neither Office Rent Index reflects budget neutrality adjusting.

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3.3 Equip., Supplies, Other Component

This index remains a "1.00" for all Medicare localities. This component has decreased from 35.1% of the Practice Expense GPCI to 32.9% in this latest update.

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3.4 Impact Analysis for the Combined Practice Expense GPCI

Table 3-3 summarizes the overall change in Practice Expense GPCI. Overall change is a composite of the change to the Employee Wage and Office Rent indices. The new Practice Expense GPCIs also reflect the new AMA cost shares.

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Table 3-3: Comparison of 1999 and 2002 Practice Expense GPCI
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	1999	2002	Difference	Percentage Difference
31140	06	SAN MATEO, CA	1.274	1.443	0.169	13.27%
31140	05	SAN FRANCISCO, CA	1.299	1.469	0.170	13.09%
31140	09	SANTA CLARA, CA	1.262	1.391	0.129	10.22%
31140	03	MARIN/NAPA/SOLANO, CA	1.161	1.258	0.097	8.35%
00900	11	DALLAS, TX	1.016	1.073	0.057	5.61%
31143	01	METROPOLITAN BOSTON	1.196	1.249	0.053	4.43%
00910	09	UTAH	0.909	0.948	0.039	4.29%
31143	99	REST OF MASSACHUSETTS	1.093	1.138	0.045	4.12%
31140	07	OAKLAND/BERKLEY, CA	1.196	1.245	0.049	4.10%
00835	01	PORTLAND, OR	1.021	1.057	0.036	3.53%
00511	01	ATLANTA, GA	1.034	1.067	0.033	3.19%
00824	01	COLORADO	0.970	1.000	0.030	3.09%
00740	02	METROPOLITAN KANSAS CITY, MO	0.949	0.974	0.025	2.63%
00836	02	SEATTLE (KING CNTY), WA	1.080	1.108	0.028	2.59%
00953	01	DETROIT, MI	1.022	1.046	0.024	2.35%
00805	99	REST OF NEW JERSEY	1.094	1.119	0.025	2.29%
00803	02	NYC SUBURBS/LONG I., NY	1.233	1.261	0.028	2.27%
00900	28	FORT WORTH, TX	0.971	0.989	0.018	1.85%
10240	00	MINNESOTA	0.967	0.982	0.015	1.55%
00832	00	ARIZONA	0.971	0.986	0.015	1.54%
05535	00	NORTH CAROLINA	0.924	0.938	0.014	1.52%
00902	01	DELAWARE	1.028	1.043	0.015	1.46%
00834	00	NEVADA	1.032	1.047	0.015	1.45%
00820	02	SOUTH DAKOTA	0.873	0.885	0.012	1.37%
00630	00	INDIANA	0.917	0.929	0.012	1.31%
16360	00	OHIO	0.939	0.951	0.012	1.28%
00655	00	NEBRASKA	0.873	0.884	0.011	1.26%
00903	01	DC + MD/VA SUBURBS	1.161	1.175	0.014	1.21%
00820	01	NORTH DAKOTA	0.877	0.887	0.010	1.14%
00952	99	REST OF ILLINOIS	0.886	0.896	0.010	1.13%
00952	15	SUBURBAN CHICAGO, IL	1.067	1.079	0.012	1.12%
00952	16	CHICAGO, IL	1.088	1.100	0.012	1.10%
31145	50	VERMONT	0.984	0.994	0.010	1.02%
00865	01	METROPOLITAN PHILADELPHIA, PA	1.089	1.100	0.011	1.01%
00805	01	NORTHERN NJ	1.191	1.202	0.011	0.92%
00900	09	BRAZORIA, TX	0.977	0.986	0.009	0.92%
05440	35	TENNESSEE	0.899	0.907	0.008	0.89%
00900	18	HOUSTON, TX	1.007	1.015	0.008	0.79%
00825	21	WYOMING	0.895	0.902	0.007	0.78%
00751	01	MONTANA	0.877	0.883	0.006	0.68%
00831	01	ALASKA	1.173	1.181	0.008	0.68%
00901	01	BALTIMORE/SURR. CNTYS, MD	1.039	1.046	0.007	0.67%
00880	01	SOUTH CAROLINA	0.905	0.911	0.006	0.66%
00953	99	REST OF MICHIGAN	0.939	0.945	0.006	0.64%
00900	15	GALVESTON, TX	0.970	0.976	0.006	0.62%
00803	01	MANHATTAN, NY	1.353	1.361	0.008	0.59%
00510	00	ALABAMA	0.872	0.877	0.005	0.57%
00865	99	REST OF PENNSYLVANIA	0.931	0.936	0.005	0.54%
00590	99	REST OF FLORIDA	0.948	0.953	0.005	0.53%
31144	40	NEW HAMPSHIRE	1.033	1.038	0.005	0.48%
16510	16	WEST VIRGINIA	0.853	0.857	0.004	0.47%
00650	00	KANSAS*	0.898	0.902	0.004	0.45%
00740	04					

Table 3-3: Comparison of 1999 and 2002 Practice Expense GPCI
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	1999	2002	Difference	Percentage Difference
10490	00	VIRGINIA	0.941	0.945	0.004	0.43%
00900	31	AUSTIN, TX	1.000	1.004	0.004	0.40%
00870	01	RHODE ISLAND	1.069	1.073	0.004	0.37%
00740	99	REST OF MISSOURI*	0.828	0.831	0.003	0.36%
00523	99					
00951	00	WISCONSIN	0.933	0.936	0.003	0.32%
00836	99	REST OF WASHINGTON	0.976	0.979	0.003	0.31%
02050	17	VENTURA, CA	1.131	1.134	0.003	0.27%
14330	04	QUEENS, NY	1.234	1.237	0.003	0.24%
00835	99	REST OF OREGON	0.938	0.940	0.002	0.21%
00523	01	METROPOLITAN ST. LOUIS, MO	0.943	0.945	0.002	0.21%
00528	01	NEW ORLEANS, LA	0.950	0.952	0.002	0.21%
02050	26	ANAHEIM/SANTA ANA, CA	1.191	1.193	0.002	0.17%
00826	00	IOWA	0.882	0.883	0.001	0.11%
00522	00	OKLAHOMA	0.882	0.883	0.001	0.11%
00952	12	EAST ST. LOUIS, IL	0.931	0.931	-	0.00%
00590	03	FORT LAUDERDALE, FL	1.026	1.026	-	0.00%
00803	03	POUGHKPSIE/N NYC SUBURBS, NY	1.084	1.083	(0.001)	-0.09%
02050	99	REST OF CALIFORNIA*	1.043	1.042	(0.001)	-0.10%
31140	99					
00511	99	REST OF GEORGIA	0.900	0.899	(0.001)	-0.11%
00900	99	REST OF TEXAS	0.888	0.887	(0.001)	-0.11%
00660	00	KENTUCKY	0.874	0.873	(0.001)	-0.11%
00520	13	ARKANSAS	0.855	0.854	(0.001)	-0.12%
00900	20	BEAUMONT, TX	0.899	0.897	(0.002)	-0.22%
00973	50	VIRGIN ISLANDS	1.034	1.031	(0.003)	-0.29%
00521	05	NEW MEXICO	0.910	0.907	(0.003)	-0.33%
10250	00	MISSISSIPPI	0.846	0.843	(0.003)	-0.35%
05130	00	IDAHO	0.892	0.888	(0.004)	-0.45%
00528	99	REST OF LOUISIANA	0.881	0.877	(0.004)	-0.45%
10230	00	CONNECTICUT	1.172	1.165	(0.007)	-0.60%
00901	99	REST OF MARYLAND	0.986	0.979	(0.007)	-0.71%
31142	99	REST OF MAINE	0.924	0.917	(0.007)	-0.76%
00801	99	REST OF NEW YORK	0.959	0.951	(0.008)	-0.83%
00590	04	MIAMI, FL	1.077	1.060	(0.017)	-1.58%
00973	20	PUERTO RICO	0.729	0.717	(0.012)	-1.65%
31142	03	SOUTHERN MAINE	1.030	1.007	(0.023)	-2.23%
00833	01	HAWAII/GUAM	1.183	1.133	(0.050)	-4.23%
02050	18	LOS ANGELES, CA	1.199	1.148	(0.051)	-4.25%

Notes:
*- Indicates multiple carriers for this Fee Schedule Area.
Source of 1999 Practice Expense GPCI is the table of 1999 GPCIs available at www.hcfa.gov.
1999 Practice Expense GPCIs have been budget neutrality adjusted.

The 2002 Practice Expense GPCIs have NOT been budget neutrality adjusted.

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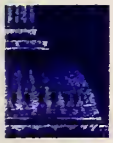

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SECTION 4

4.0 Malpractice GPCI

The Malpractice GPCI (MGPCI) is used to adjust for area cost differences in physician malpractice insurance premiums. The malpractice component of RBRVS has always been the smallest component, and the recent AMA survey has reduced it even further (4.8% to 3.2%). The Malpractice GPCI is the most volatile GPCI. This volatility is seen both with respect to area, having a range of Puerto Rico (0.274) to Detroit, MI (2.732) and with respect to time; non-metropolitan Missouri declined by 32% from the last GPCI update while Wyoming increased by 42%. (On average each locality changed by 11% whereas the average Office Rent Index changed by 5%). In order to track it, malpractice premium data must be collected, adjusted, and tabulated for all Medicare localities.

This update of the GPCI incorporates premium date from 1996 through 1998. The only other change is that the RVU weights are based on 1998 National Claims History data.

4.1 History of the MGPCI

The original 1992 MGPCI was calculated from 1985-86 physician malpractice premiums for three specialties. A small number of insurers were used with St. Paul contributing the most information. The premium data were derived from HCFA's Survey of Insurers. A subsequent analysis of HCFA's Survey of Insurers concluded that it was representative of too few state markets for malpractice insurance (Zuckerman, Norton, and Wadler, 1992) for the purpose of updating the MGPCI. The use of premiums for only three specialties reflected a limitation of availability of premiums from the HCFA's survey. Zuckerman, Norton, and Wadler showed that the MGPCI could also be sensitive

to the number of specialties and incorporation of data from additional insurers. The implication is that a MGPCI broadly based on a large number of specialties and insurers would be more stable and accurate.

In updating the 1992 to the 1996 and 1997 MGPCI, several significant data and methodological improvements were made. One of the most important improvements was the development of a more comprehensive survey of companies and other organizations that underwrite physician malpractice insurance policies. In particular, the premium data collected in the Urban Institute-designed survey resulted in a more representative sample of insurers than hitherto used and an increase in the number of physician specialties represented (see the following section for details). Premium data from 1990 through 1992 were used in the 1996/1997 MGPCI. The Urban Institute's criteria for selecting insurance companies for inclusion in the survey were continued by HCFA.

Both the 1992 and 1996/1997 MGPCIs were based on more than one year of premium data. Zuckerman and his associates noticed considerable volatility in premiums from 1985 to 1992. In some cases this was due to tort reform, as in California, which could result in reduced premium levels. The premium volatility could result in a payment locality having a relatively high premium in one year and a relatively low premium in a subsequent year, causing its MGPCI value to fluctuate dramatically. Use of one year of data in constructing the index would thus make the MGPCI very sensitive to the year of data used in its construction. Consequently, multiple years of premiums were used in constructing the indices so that the impact of any one year's premiums on the index was reduced. This is important given the lag between the year(s) of the data and the year of the implementation of the MGPCI. Zuckerman noted that if premiums were relatively stable inter-temporally, then premiums from only one year should be used to construct the MGPCI.

In this update of the MGPCI, KPMG LLP has performed the malpractice premium survey. KPMG LLP has not materially changed the existing methodology.

4.2 Third Update to the MGPCI

The MGPCI is based on physician malpractice insurance premiums by Medicare locality for twenty of the highest utilization Medicare specialties. For this purpose, KPMG LLP obtained 1996-98 malpractice insurance premium data for all fifty states, Puerto Rico and Washington D.C.. To obtain a weighted average, each specialty's premium was multiplied by the percentage of RVUs that it contributed to the total for all twenty specialties. The county averages were then weighted into a Medicare locality average using the 1998 Malpractice RVUs by county. After obtaining an average premium for each Medicare locality, indices were developed by dividing each average premium by the nationwide RVU-weighted average premium.

Two types of data are discussed in this section: physician malpractice insurance premiums and national malpractice relative value units (RVUs) that are used to weight the premiums to calculate average premiums. Sections 4.2.1 - 4.2.5 discuss issues pertaining to the collection and normalization of malpractice premium data. Section 4.2.6. discusses the calculation of the weighted average premium through the use of 1998 malpractice relative value units.

4.2.1 Malpractice Premium Survey

In order to collect the necessary premium data, 52 Departments of Insurance (DOI) from all fifty states, Washington D.C. and Puerto Rico were contacted and sent questionnaires. From each Department of Insurance the following information was requested:

- 1996-98 Premium Rates for the top Physician Malpractice Insurers doing business in the state. These premium rates had to conform to a very specific benefit plan. See Section 4.2.2 for a precise technical definition of the premium rates collected.
- Name and number of contacts at the DOI and Insurance Carriers.
- Definitions of the geographic rating areas used in the state.
- Definitions of Risk Classifications.

For the majority of states, copies of rate filings were obtained. A few states summarized this information by specialty across insurer. Some states did not have filings or could not comply with the survey in a timely manner. For these states, malpractice insurers were contacted directly.

4.2.2 Premium Data

Insurance policies have a different price depending on the level of coverage purchased. Because the GPCI is an index of the relative cost of insurance, a consistent level of coverage is important for each premium entered in the survey. For purposes of this survey the following policy specifications were selected:

- Annual premium payments.
- $1 million individual case limit.
- $3 million aggregate limit.
- A "Claims-Made" policy. A "Claims-Made" policy covers the professional for claims reported in the year of coverage. The services for those claims can have occurred prior to the year of coverage; however, they must have occurred after the beginning date of the policy. If the professional changes insurers, they may need to purchase "tail" coverage if their new insurance

carrier is not willing to cover claims for services which were performed prior to obtaining their policy. "Tail" coverage purchased from the former insurer, would extend the insured's previous coverage to include claims reported at any time for services that were performed within the duration of the individual's coverage with the previous insurer. "Claims-Made" policies can be contrasted with "Occurrence" policies; both policy types are typically sold by insurers. "Occurrence" policies cover services that are performed over the duration of coverage, regardless of when the claim is reported. There is never any reason to purchase "tail" coverage for an "occurrence" policy.

- A "mature year" policy. Premiums for "Claims Made" policies typically increase over the early years of coverage. This is due to the fact that each additional year effectively increases the insurer's exposure as the amount of insured service time increases. After a certain point (typically 4-8 years), the insurer will stop increasing premiums for this additional exposure. The year in which "Claims Made" rates stop increasing is referred to as the mature year.

4.2.3 Specialties, Identification of Risk Class

After identifying the appropriate set of rates, a premium was identified for each of the twenty physician specialties. Insurers tend to cluster specialties into risk classes for rating purposes. To identify the appropriate risk class, the physician's named specialty, their level of surgical involvement and sometimes the type of surgery performed needs to be considered. Insurer's Standards Office (ISO) codes were used where necessary to define exact physician specialty. A given specialty may have multiple ISO codes depending upon the procedures performed and level of surgical involvement.

4.2.4 Joint Underwriting Associations

A Joint Underwriting Association (JUA) is often administered by state governments when an unmet need for medical liability insurance exists in the marketplace. JUAs differ from insurers in that they occasionally assess retroactive premiums and they are occasionally willing to amass deficits. Historically JUAs either took a lead role as the primary insurer in the market, or they served as an insurer of last resort. South Carolina is the only JUA that is incorporated in this survey. In South Carolina, the JUA has 70% of the market with premium rates lower than private insurers; however, the JUA only insures up to $100,000 individual and $300,000 aggregate limits. It is possible that the JUA could assess retroactive premium adjustments in the near future. In the last survey, the New Hampshire JUA contributed all of the premium data for that state. In this survey, four private insurers have replaced the JUA in defining the market average premium. In Massachusetts, a JUA converted to a mutual insurance company (ProMutual) since the time of the last update. The Rhode Island JUA has also been replaced in this survey as it no longer has significant market share. Every other JUA that we encountered in our data collection functioned as an insurer of last resort.

4.2.5 Patient Compensation Funds

Some states have legally required physicians to join Patient Compensation Funds (PCFs) that provide coverage for catastrophic claims. The PCF charges a premium or surcharge just as any other insurer. Because PCFs typically have no upper limit of coverage, it limits the individual physician's liability. PCFs can be mandatory or voluntary. As an extension of Allied's methodology, we have only reflected the cost of the PCFs where coverage is mandatory with the sole exception of South Carolina. This means that in areas with mandatory PCFs our underlying coverage assumptions are greater than the $1 million/ $3 million mature year claims-made benefit coverage used in other markets. We feel that this is appropriate since this is an obligatory cost to the physician. Since the

last update one additional state has mandated a PCF, New Mexico. Mandating the PCF has contributed significantly to New Mexico's MGPCI increase of 26%. Other states with mandatory PCFs include: Kansas, Pennsylvania, and Wisconsin. In South Carolina, although participation is voluntary, we included the cost of the PCF due to the fact that 1.) most physicians participate and 2.) The leading insurer, a JUA, does not offer coverage at the $1 million/ $3 million survey limits.

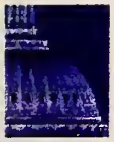
4.2.6 Calculation of Average Premiums

After collecting the underlying physician malpractice premiums, adjusting them to a standard benefit level, the premiums are averaged at the county level then rolled up into Medicare locality averages for the MGPCI. Each specialty has a Malpractice RVU weight determined by its output of Malpractice RVUs in 1998. Since the majority of Anesthesiologists' compensation is through base and time units with a unique conversion factor, these units were adjusted to RVU equivalent weights. This was done by taking the 1998 total dollars paid to Anesthesiologists for Anesthesia procedures and dividing by the nationwide Anesthesiologists' conversion factor. This figure is then multiplied by 46% since the 1998 Anesthesia Conversion Factor was set at 46% of the standard conversion factor applied to RVUs.

Table 4-1 shows the weights used for each physician specialty. For comparative purposes, it also shows how those weights have changed over the last two updates. As the table shows, the departure in the second update from Allowed Charges created larger changes in the weighting than the current substitution of 1998 RVUs for 1994 RVUs.

TABLE 4-1: Twenty Representative Specialties with RVU Weights

Specialty	Weights used in the 1996/7 MGPCI Allowed Charges	Weights used in the 1999 MGPCI Malpractice RVUs	Weights used in the 2002 MGPCI Malpractice RVUs
Anesthesiologist	4.34%	6.78%	5.93%
Cardiologist	9.00%	9.66%	11.94%
Dermatologist	2.12%	2.20%	2.49%
Gastroenterologist	2.95%	3.02%	3.56%
General Surgeon	7.16%	10.63%	9.77%
General/Family Practitioner	9.42%	8.65%	7.33%
Internal Medicine	18.46%	11.44%	11.45%
Neurosurgeon	0.98%	1.88%	2.13%
Neurologist	1.54%	1.51%	1.65%
Gynecologist	0.81%	1.56%	1.50%
Ophthalmologist	13.09%	8.02%	7.50%
Orthopedic Surgeon	5.62%	10.26%	10.75%
Otorhinolaryngologist	1.25%	1.56%	1.82%
Pathologist	1.47%	0.97%	1.09%
Plastic Surgeon	0.56%	0.83%	0.87%
Psychiatrist	1.64%	2.12%	2.03%
Pulmonary Disease	1.83%	1.82%	1.94%
Radiologist	10.27%	9.03%	9.25%
Thoracic Surgeon	3.41%	4.61%	3.83%
Urologist	4.06%	3.45%	3.17%
Total	**99.98%**	**100.00%**	**100.00%**



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4.3 Impact Analysis of Malpractice GPCI

After developing an average premium for each Medicare locality, an index was developed by dividing the average premium by the overall average. Table 4-2 shows the MGPCI by locality (before budget neutrality adjustments) and compares to the 1999 MGPCI.

Several localities saw significant premium increases between the 1992-94 period of the last GPCI update and the 1996-98 data collection period of this update, specifically, Wyoming (+42%), West Virginia (+24%), Nevada (+21%), Suburban Chicago (+20%), Rest of Illinois (+17%), and North Carolina (+20%). Percentages indicate the amount the MGPCI went up relative to the 1999 MGPCI.

New Mexico's MGPCI went up (+26%) mainly due to the conversion to a mandatory Patient Compensation Fund. In Pennsylvania where a mandatory PCF was already in place, PCF changes caused their MGPCI index to increase by +21% outside of Philadelphia and by +17% in the Philadelphia area.

Some areas saw increased competition, and shifts in market share that drove rates down. These areas include: Missouri (29 to 32% decrease), Oregon (-26%), and Alaska (-20%).

In New Hampshire, the JUA has been omitted from this Malpractice Survey. In the past, the JUA was a leading insurer but it has been steadily losing market share. This substitution of the four leading insurers for the JUA, in addition to a competitive marketplace, have driven the New Hampshire MGPCI down by 19%.

In Rhode Island, the market place has become very competitive since the JUA no longer plays a significant role. This has led to a drop in the Rhode Island MGPCI by 26%.

Table 4-2: Comparison of 1999 and 2002 Malpractice Premium GPCI
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	1999	2002	Difference	Percentage Difference
00825	21	WYOMING	0.705	1.003	0.298	42.27%
00521	05	NEW MEXICO	0.716	0.900	0.184	25.70%
16510	16	WEST VIRGINIA	1.106	1.375	0.269	24.32%
00865	99	REST OF PENNSYLVANIA	0.637	0.772	0.135	21.19%
00834	00	NEVADA	0.997	1.206	0.209	20.96%
00952	15	SUBURBAN CHICAGO, IL	1.365	1.641	0.276	20.22%
05535	00	NORTH CAROLINA	0.497	0.594	0.097	19.52%
00630	00	INDIANA	0.408	0.480	0.072	17.65%
00865	01	METROPOLITAN PHILADELPHIA, PA	1.207	1.410	0.203	16.82%
00952	99	REST OF ILLINOIS	0.990	1.155	0.165	16.67%
00952	12	EAST ST. LOUIS, IL	1.487	1.687	0.200	13.45%
02050	26	ANAHEIM/SANTA ANA, CA	0.846	0.953	0.107	12.65%
02050	18	LOS ANGELES, CA	0.846	0.953	0.107	12.65%
00951	00	WISCONSIN	0.841	0.937	0.096	11.41%
00528	01	NEW ORLEANS, LA	1.153	1.280	0.127	11.01%
31143	01	METROPOLITAN BOSTON	0.713	0.782	0.069	9.68%
31143	99	REST OF MASSACHUSETTS	0.713	0.782	0.069	9.68%
00900	99	REST OF TEXAS	0.871	0.954	0.083	9.53%
02050	17	VENTURA, CA	0.717	0.781	0.064	8.93%
00660	00	KENTUCKY	0.807	0.875	0.068	8.43%
00910	09	UTAH	0.594	0.643	0.049	8.25%
00805	01	NORTHERN NJ	0.795	0.858	0.063	7.92%
00805	99	REST OF NEW JERSEY	0.795	0.858	0.063	7.92%
10250	00	MISSISSIPPI	0.721	0.777	0.056	7.77%
00590	04	MIAMI, FL	2.350	2.523	0.173	7.36%
05440	35	TENNESSEE	0.552	0.591	0.039	7.07%
02050	99	REST OF CALIFORNIA*	0.698	0.746	0.048	6.88%
31140	99					
00836	99	REST OF WASHINGTON	0.742	0.786	0.044	5.93%
00836	02	SEATTLE (KING CNTY), WA	0.742	0.786	0.044	5.93%
00952	16	CHICAGO, IL	1.693	1.793	0.100	5.91%
00824	01	COLORADO	0.795	0.838	0.043	5.41%
00590	03	FORT LAUDERDALE, FL	1.783	1.873	0.090	5.05%
00528	99	REST OF LOUISIANA	1.031	1.071	0.040	3.88%
31140	03	MARIN/NAPA/SOLANO, CA	0.667	0.686	0.019	2.85%
31140	07	OAKLAND/BERKLEY, CA	0.667	0.686	0.019	2.85%
31140	05	SAN FRANCISCO, CA	0.667	0.686	0.019	2.85%
31140	06	SAN MATEO, CA	0.667	0.686	0.019	2.85%
14330	04	QUEENS, NY	1.839	1.867	0.028	1.52%
00900	31	AUSTIN, TX	0.849	0.857	0.008	0.94%
00803	02	NYC SUBURBS/LONG I., NY	1.932	1.948	0.016	0.83%
00803	01	MANHATTAN, NY	1.654	1.664	0.010	0.60%
00820	01	NORTH DAKOTA	0.656	0.656	-	0.00%
00900	11	DALLAS, TX	0.930	0.929	(0.001)	-0.11%
00900	28	FORT WORTH, TX	0.930	0.929	(0.001)	-0.11%
00880	01	SOUTH CAROLINA	0.280	0.278	(0.002)	-0.71%
00751	01	MONTANA	0.732	0.725	(0.007)	-0.96%
00522	00	OKLAHOMA	0.451	0.443	(0.008)	-1.77%
31145	50	VERMONT	0.548	0.538	(0.010)	-1.82%
00511	01	ATLANTA, GA	0.951	0.933	(0.018)	-1.89%
00511	99	REST OF GEORGIA	0.951	0.933	(0.018)	-1.89%
00973	50	VIRGIN ISLANDS	1.032	1.000	(0.032)	-3.10%
00655	00	NEBRASKA	0.443	0.429	(0.014)	-3.16%

Table 4-2: Comparison of 1999 and 2002 Malpractice Premium GPCI
Sorted by Percentage Difference

Carrier	Locality	Fee Schedule Area	1999	2002	Difference	Percentage Difference
00900	20	BEAUMONT, TX	1.386	1.335	(0.051)	-3.68%
00900	09	BRAZORIA, TX	1.386	1.335	(0.051)	-3.68%
00900	15	GALVESTON, TX	1.386	1.335	(0.051)	-3.68%
00801	99	REST OF NEW YORK	0.793	0.762	(0.031)	-3.91%
00803	03	POUGHKPSIE/N NYC SUBURBS, NY	1.326	1.272	(0.054)	-4.07%
31140	09	SANTA CLARA, CA	0.667	0.638	(0.029)	-4.35%
00590	99	REST OF FLORIDA	1.327	1.262	(0.065)	-4.90%
00900	18	HOUSTON, TX	1.418	1.333	(0.085)	-5.99%
31142	99	REST OF MAINE	0.708	0.665	(0.043)	-6.07%
31142	03	SOUTHERN MAINE	0.708	0.665	(0.043)	-6.07%
00832	00	ARIZONA	1.189	1.109	(0.080)	-6.73%
00820	02	SOUTH DAKOTA	0.435	0.405	(0.030)	-6.90%
00510	00	ALABAMA	0.876	0.805	(0.071)	-8.11%
00826	00	IOWA	0.648	0.595	(0.053)	-8.18%
10230	00	CONNECTICUT	1.052	0.964	(0.088)	-8.37%
10490	00	VIRGINIA	0.557	0.499	(0.058)	-10.41%
00901	99	REST OF MARYLAND	0.866	0.772	(0.094)	-10.85%
00953	01	DETROIT, MI	3.069	2.732	(0.337)	-10.98%
10240	00	MINNESOTA	0.507	0.451	(0.056)	-11.05%
16360	00	OHIO	1.074	0.955	(0.119)	-11.08%
00903	01	DC + MD/VA SUBURBS	1.032	0.907	(0.125)	-12.11%
05130	00	IDAHO	0.566	0.496	(0.070)	-12.37%
00833	01	HAWAII/GUAM	0.954	0.832	(0.122)	-12.79%
00953	99	REST OF MICHIGAN	1.828	1.568	(0.260)	-14.22%
00650	00	KANSAS*	0.890	0.754	(0.136)	-15.28%
00740	04					
00520	13	ARKANSAS	0.403	0.339	(0.064)	-15.88%
00901	01	BALTIMORE/SURR. CNTYS, MD	1.098	0.914	(0.184)	-16.76%
00902	01	DELAWARE	0.860	0.710	(0.150)	-17.44%
31144	40	NEW HAMPSHIRE	1.013	0.823	(0.190)	-18.76%
00831	01	ALASKA	1.533	1.220	(0.313)	-20.42%
00973	20	PUERTO RICO	0.359	0.274	(0.085)	-23.68%
00835	01	PORTLAND, OR	0.587	0.435	(0.152)	-25.89%
00835	99	REST OF OREGON	0.587	0.435	(0.152)	-25.89%
00870	01	RHODE ISLAND	1.189	0.881	(0.308)	-25.90%
00740	02	METROPOLITAN KANSAS CITY, MO	1.196	0.844	(0.352)	-29.43%
00523	01	METROPOLITAN ST. LOUIS, MO	1.198	0.844	(0.354)	-29.55%
00740	99	REST OF MISSOURI*	1.165	0.791	(0.374)	-32.10%
00523	99					

Notes:
*- Indicates multiple carriers for this Fee Schedule Area.
Source of 1999 MGPCI is the table of 1999 GPCIs available at www.hcfa.gov.
1999 MGPCIs have been budget neutrality adjusted.

The 2002 MGPCIs have NOT been budget neutrality adjusted.

Table A-1: 2002 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00510	00	ALABAMA	ALABAMA	0.981	0.877	0.805	0.931
00831	01	ALASKA	ALASKA	1.067	1.181	1.220	1.120
00832	00	ARIZONA	ARIZONA	0.997	0.986	1.109	0.996
00520	13	ARKANSAS	ARKANSAS	0.956	0.854	0.339	0.893
02050	26	CALIFORNIA	ANAHEIM/SANTA ANA, CA	1.040	1.193	0.953	1.102
02050	18		LOS ANGELES, CA	1.059	1.148	0.953	1.093
31140	03		MARIN/NAPA/SOLANO, CA	1.018	1.258	0.686	1.109
31140	07		OAKLAND/BERKELEY, CA	1.044	1.245	0.686	1.118
31140	05		SAN FRANCISCO, CA	1.071	1.469	0.686	1.227
31140	06		SAN MATEO, CA	1.051	1.443	0.686	1.205
31140	09		SANTA CLARA, CA	1.066	1.391	0.638	1.190
02050	17		VENTURA, CA	1.031	1.134	0.781	1.067
02050	99		REST OF CALIFORNIA*	1.010	1.042	0.746	1.015
31140	99		REST OF CALIFORNIA*	1.010	1.042	0.746	1.015
00824	01	COLORADO	COLORADO	0.988	1.000	0.838	0.988
10230	00	CONNECTICUT	CONNECTICUT	1.053	1.165	0.964	1.098
00902	01	DELAWARE	DELAWARE	1.022	1.043	0.710	1.021
00903	01	DISTRICT OF COLUMBIA	DC + MD/VA SUBURBS	1.053	1.175	0.907	1.100

Note: Area has two carriers.

Table A-1: 2002 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00590	03	FLORIDA	FORT LAUDERDALE, FL	0.999	1.026	1.873	1.038
00590	04		MIAMI, FL	1.018	1.060	2.523	1.084
00590	99		REST OF FLORIDA	0.978	0.953	1.262	0.977
00511	01	GEORGIA	ATLANTA, GA	1.009	1.067	0.933	1.031
00511	99		REST OF GEORGIA	0.973	0.899	0.933	0.940
00833	01	HAWAII/GUAM	HAWAII/GUAM	1.000	1.133	0.832	1.051
05130	00	IDAHO	IDAHO	0.963	0.888	0.496	0.916
00952	16	ILLINOIS	CHICAGO, IL	1.031	1.100	1.793	1.085
00952	12		EAST ST. LOUIS, IL	0.991	0.931	1.687	0.988
00952	15		SUBURBAN CHICAGO, IL	1.009	1.079	1.641	1.059
00952	99		REST OF ILLINOIS	0.967	0.896	1.155	0.943
00630	00	INDIANA	INDIANA	0.984	0.929	0.480	0.945
00826	00	IOWA	IOWA	0.962	0.883	0.595	0.917
00650	00	KANSAS	KANSAS*	0.966	0.902	0.754	0.932
00740	04			0.966	0.902	0.747	0.932
00660	00	KENTUCKY	KENTUCKY	0.973	0.873	0.875	0.928
00528	01	LOUISIANA	NEW ORLEANS, LA	1.001	0.952	1.280	0.989
00528	99		REST OF LOUISIANA	0.971	0.877	1.071	0.934

Note: Area has two carriers.

Table A-1: 2002 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
31142	03	MAINE	SOUTHERN MAINE	0.982	1.007	0.665	0.982
31142	99		REST OF MAINE	0.964	0.917	0.665	0.935
00901	01	MARYLAND	BALTIMORE/SURR. CNTYS, MD	1.024	1.046	0.914	1.030
00901	99		REST OF MARYLAND	0.987	0.979	0.772	0.977
31143	01	MASSACHUSETTS	METROPOLITAN BOSTON	1.044	1.249	0.782	1.122
31143	99		REST OF MASSACHUSETTS	1.013	1.138	0.782	1.058
00953	01	MICHIGAN	DETROIT, MI	1.046	1.046	2.732	1.100
00953	99		REST OF MICHIGAN	1.000	0.945	1.568	0.995
10240	00	MINNESOTA	MINNESOTA	0.993	0.982	0.451	0.971
10250	00	MISSISSIPPI	MISSISSIPPI	0.960	0.843	0.777	0.905
00740	02	MISSOURI	METROPOLITAN KANSAS CITY, MO	0.991	0.974	0.844	0.979
00523	01		METROPOLITAN ST. LOUIS, MO	0.997	0.945	0.844	0.970
00740	99		REST OF MISSOURI*	0.949	0.831	0.791	0.894
00523	99		REST OF MISSOURI*	0.949	0.831	0.791	0.894
00751	01	MONTANA	MONTANA	0.953	0.883	0.725	0.916
00655	00	NEBRASKA	NEBRASKA	0.951	0.884	0.429	0.906
00834	00	NEVADA	NEVADA	1.008	1.047	1.206	1.031
31144	40	NEW HAMPSHIRE	NEW HAMPSHIRE	0.989	1.038	0.823	1.004

Note: Area has two carriers.

Table A-1: 2002 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00805	01	NEW JERSEY	NORTHERN NJ	1.061	1.202	0.858	1.114
00805	99		REST OF NEW JERSEY	1.032	1.119	0.858	1.063
00521	05	NEW MEXICO	NEW MEXICO	0.976	0.907	0.900	0.944
00803	01	NEW YORK	MANHATTAN, NY	1.097	1.361	1.664	1.227
00803	02		NYC SUBURBS/LONG I., NY	1.071	1.261	1.948	1.179
00803	03		POUGHKPSIE/N NYC SUBURBS, NY	1.014	1.083	1.272	1.051
14330	04		QUEENS, NY	1.061	1.237	1.867	1.161
00801	99		REST OF NEW YORK	1.001	0.951	0.762	0.972
05535	00	NORTH CAROLINA	NORTH CAROLINA	0.973	0.938	0.594	0.946
00820	01	NORTH DAKOTA	NORTH DAKOTA	0.953	0.887	0.656	0.916
16360	00	OHIO	OHIO	0.991	0.951	0.955	0.973
00522	00	OKLAHOMA	OKLAHOMA	0.971	0.883	0.443	0.917
00835	01	OREGON	PORTLAND, OR	0.999	1.057	0.435	1.005
00835	99		REST OF OREGON	0.964	0.940	0.435	0.937
00865	01	PENNSYLVANIA	METROPOLITAN PHILADELPHIA, PA	1.026	1.100	1.410	1.070
00865	99		REST OF PENNSYLVANIA	0.992	0.936	0.772	0.961
00973	20	PUERTO RICO	PUERTO RICO	0.884	0.717	0.274	0.794

Note: Area has two carriers.

Table A-1: 2002 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00870	01	RHODE ISLAND	RHODE ISLAND	1.020	1.073	0.881	1.038
00880	01	SOUTH CAROLINA	SOUTH CAROLINA	0.977	0.911	0.278	0.927
00820	02	SOUTH DAKOTA	SOUTH DAKOTA	0.938	0.885	0.405	0.899
05440	35	TENNESSEE	TENNESSEE	0.978	0.907	0.591	0.936
00900	31	TEXAS	AUSTIN, TX	0.989	1.004	0.857	0.991
00900	20		BEAUMONT, TX	0.995	0.897	1.335	0.964
00900	09		BRAZORIA, TX	0.995	0.986	1.335	1.002
00900	11		DALLAS, TX	1.013	1.073	0.929	1.036
00900	28		FORT WORTH, TX	0.990	0.989	0.929	0.988
00900	15		GALVESTON, TX	0.991	0.976	1.335	0.996
00900	18		HOUSTON, TX	1.023	1.015	1.333	1.030
00900	99		REST OF TEXAS	0.969	0.887	0.954	0.934
00910	09	UTAH	UTAH	0.979	0.948	0.643	0.955
31145	50	VERMONT	VERMONT	0.976	0.994	0.538	0.970
00973	50	VIRGIN ISLANDS	VIRGIN ISLANDS	0.968	1.031	1.000	0.996
10490	00	VIRGINIA	VIRGINIA	0.987	0.945	0.499	0.954
00836	02	WASHINGTON	SEATTLE (KING CNTY), WA	1.008	1.108	0.786	1.043
00836	99		REST OF WASHINGTON	0.984	0.979	0.786	0.976

Note: Area has two carriers.

Table A-1: 2002 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
16510	16	WEST VIRGINIA	WEST VIRGINIA	0.966	0.857	1.375	0.933
00951	00	WISCONSIN	WISCONSIN	0.984	0.936	0.937	0.962
00825	21	WYOMING	WYOMING	0.970	0.902	1.003	0.942

Note: Area has two carriers.

Table A-2: 2001 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00510	00	ALABAMA	ALABAMA	0.980	0.875	0.841	0.931
00831	01	ALASKA	ALASKA	1.065	1.177	1.377	1.122
00832	00	ARIZONA	ARIZONA	0.996	0.979	1.149	0.994
00520	13	ARKANSAS	ARKANSAS	0.955	0.855	0.371	0.894
02050	26	CALIFORNIA	ANAHEIM/SANTA ANA, CA	1.038	1.192	0.900	1.099
02050	18		LOS ANGELES, CA	1.057	1.174	0.900	1.101
31140	03		MARIN/NAPA/SOLANO, CA	1.016	1.210	0.677	1.087
31140	07		OAKLAND/BERKELEY, CA	1.042	1.221	0.677	1.106
31140	05		SAN FRANCISCO, CA	1.069	1.384	0.677	1.190
31140	06		SAN MATEO, CA	1.049	1.359	0.677	1.168
31140	09		SANTA CLARA, CA	1.064	1.327	0.653	1.162
02050	17		VENTURA, CA	1.029	1.133	0.749	1.064
02050	99		REST OF CALIFORNIA*	1.009	1.043	0.722	1.014
31140	99		REST OF CALIFORNIA*	1.009	1.043	0.722	1.014
00824	01	COLORADO	COLORADO	0.988	0.985	0.817	0.981
10230	00	CONNECTICUT	CONNECTICUT	1.051	1.169	1.008	1.100
00902	01	DELAWARE	DELAWARE	1.021	1.036	0.785	1.020
00903	01	DISTRICT OF COLUMBIA	DC + MD/VA SUBURBS	1.052	1.168	0.970	1.098

Note: Area has two carriers.

Table A-2: 2001 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00590	03	FLORIDA	FORT LAUDERDALE, FL	0.998	1.026	1.828	1.036
00590	04		MIAMI, FL	1.017	1.069	2.437	1.084
00590	99		REST OF FLORIDA	0.977	0.951	1.295	0.976
00511	01	GEORGIA	ATLANTA, GA	1.008	1.051	0.942	1.024
00511	99		REST OF GEORGIA	0.972	0.900	0.942	0.941
00833	01	HAWAII/GUAM	HAWAII/GUAM	0.999	1.158	0.893	1.063
05130	00	IDAHO	IDAHO	0.962	0.890	0.531	0.918
00952	16	ILLINOIS	CHICAGO, IL	1.029	1.094	1.743	1.079
00952	12		EAST ST. LOUIS, IL	0.990	0.931	1.587	0.984
00952	15		SUBURBAN CHICAGO, IL	1.008	1.073	1.503	1.051
00952	99		REST OF ILLINOIS	0.965	0.891	1.073	0.937
00630	00	INDIANA	INDIANA	0.983	0.923	0.444	0.940
00826	00	IOWA	IOWA	0.960	0.883	0.622	0.917
00650	00	KANSAS	KANSAS*	0.965	0.900	0.822	0.933
00740	04		KANSAS*	0.965	0.900	0.819	0.933
00660	00	KENTUCKY	KENTUCKY	0.972	0.874	0.841	0.926
00528	01	LOUISIANA	NEW ORLEANS, LA	1.000	0.951	1.217	0.986
00528	99		REST OF LOUISIANA	0.970	0.879	1.051	0.934

Note: Area has two carriers.

Table A-2: 2001 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
31142	03	MAINE	SOUTHERN MAINE	0.981	1.019	0.687	0.988
31142	99		REST OF MAINE	0.963	0.921	0.687	0.936
00901	01	MARYLAND	BALTIMORE/SURR. CNTYS, MD	1.022	1.043	1.006	1.030
00901	99		REST OF MARYLAND	0.986	0.983	0.819	0.979
31143	01	MASSACHUSETTS	METROPOLITAN BOSTON	1.042	1.223	0.748	1.109
31143	99		REST OF MASSACHUSETTS	1.012	1.116	0.748	1.048
00953	01	MICHIGAN	DETROIT, MI	1.044	1.034	2.901	1.099
00953	99		REST OF MICHIGAN	0.998	0.942	1.698	0.997
10240	00	MINNESOTA	MINNESOTA	0.991	0.975	0.479	0.968
10250	00	MISSISSIPPI	MISSISSIPPI	0.959	0.845	0.749	0.904
00740	02	MISSOURI	METROPOLITAN KANSAS CITY, MO	0.990	0.962	1.020	0.979
00523	01		METROPOLITAN ST. LOUIS, MO	0.996	0.944	1.021	0.975
00740	99		REST OF MISSOURI*	0.947	0.830	0.978	0.899
00523	99		REST OF MISSOURI*	0.947	0.830	0.978	0.899
00751	01	MONTANA	MONTANA	0.952	0.880	0.729	0.914
00655	00	NEBRASKA	NEBRASKA	0.950	0.879	0.436	0.904
00834	00	NEVADA	NEVADA	1.007	1.040	1.102	1.024
31144	40	NEW HAMPSHIRE	NEW HAMPSHIRE	0.989	1.036	0.918	1.007

Note: Area has two carriers.

Table A-2: 2001 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00805	01	NEW JERSEY	NORTHERN NJ	1.059	1.197	0.827	1.110
00805	99		REST OF NEW JERSEY	1.030	1.107	0.827	1.056
00521	05	NEW MEXICO	NEW MEXICO	0.975	0.909	0.808	0.942
00803	01	NEW YORK	MANHATTAN, NY	1.095	1.357	1.659	1.224
00803	02		NYC SUBURBS/LONG I., NY	1.069	1.247	1.940	1.172
00803	03		POUGHKPSIE/N NYC SUBURBS, NY	1.012	1.084	1.299	1.052
14330	04		QUEENS, NY	1.059	1.236	1.853	1.159
00801	99		REST OF NEW YORK	1.000	0.955	0.778	0.974
05535	00	NORTH CAROLINA	NORTH CAROLINA	0.972	0.931	0.546	0.941
00820	01	NORTH DAKOTA	NORTH DAKOTA	0.952	0.882	0.656	0.913
16360	00	OHIO	OHIO	0.991	0.945	1.015	0.972
00522	00	OKLAHOMA	OKLAHOMA	0.970	0.883	0.447	0.916
00835	01	OREGON	PORTLAND, OR	0.998	1.039	0.511	1.000
00835	99		REST OF OREGON	0.963	0.939	0.511	0.938
00865	01	PENNSYLVANIA	METROPOLITAN PHILADELPHIA, PA	1.025	1.095	1.309	1.064
00865	99		REST OF PENNSYLVANIA	0.991	0.934	0.705	0.958
00973	20	PUERTO RICO	PUERTO RICO	0.883	0.723	0.317	0.797

Note: Area has two carriers.

Table A-2: 2001 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
00870	01	RHODE ISLAND	RHODE ISLAND	1.019	1.071	1.035	1.042
00880	01	SOUTH CAROLINA	SOUTH CAROLINA	0.976	0.908	0.279	0.925
00820	02	SOUTH DAKOTA	SOUTH DAKOTA	0.937	0.879	0.420	0.896
05440	35	TENNESSEE	TENNESSEE	0.977	0.903	0.572	0.933
00900	31	TEXAS	AUSTIN, TX	0.988	1.002	0.853	0.990
00900	20		BEAUMONT, TX	0.994	0.898	1.361	0.965
00900	09		BRAZORIA, TX	0.994	0.982	1.361	1.001
00900	11		DALLAS, TX	1.012	1.045	0.930	1.023
00900	28		FORT WORTH, TX	0.989	0.980	0.930	0.983
00900	15		GALVESTON, TX	0.990	0.973	1.361	0.995
00900	18		HOUSTON, TX	1.022	1.011	1.376	1.029
00900	99		REST OF TEXAS	0.968	0.888	0.913	0.932
00910	09	UTAH	UTAH	0.978	0.929	0.619	0.946
31145	50	VERMONT	VERMONT	0.975	0.989	0.543	0.967
00973	50	VIRGIN ISLANDS	VIRGIN ISLANDS	0.967	1.033	1.016	0.996
10490	00	VIRGINIA	VIRGINIA	0.986	0.943	0.528	0.953
00836	02	WASHINGTON	SEATTLE (KING CNTY), WA	1.007	1.094	0.764	1.036
00836	99		REST OF WASHINGTON	0.983	0.978	0.764	0.974

Note: Area has two carriers.

Table A-2: 2001 Geographic Practice Cost Indices and Geographic Adjustment Factor
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Work	PE	MP	GAF
16510	16	WEST VIRGINIA	WEST VIRGINIA	0.965	0.855	1.241	0.927
00951	00	WISCONSIN	WISCONSIN	0.983	0.935	0.889	0.960
00825	21	WYOMING	WYOMING	0.969	0.899	0.854	0.936

Note: Area has two carriers.

Table A-3: 2002 GPCIs and GAFs by State

State	Quarter Work GPCI	Practice Expense GPCI	Malpractice GPCI	GAF
ALASKA	1.067	1.181	1.220	1.120
ALABAMA	0.981	0.877	0.805	0.931
ARKANSAS	0.956	0.854	0.339	0.893
ARIZONA	0.997	0.986	1.109	0.996
CALIFORNIA	1.037	1.137	0.820	1.072
COLORADO	0.988	1.000	0.838	0.988
CONNECTICUT	1.053	1.165	0.964	1.098
DISTRICT OF COLUMBIA(1)	1.085	1.216	1.240	1.145
DISTRICT OF COLUMBIA(2)	1.053	1.175	0.907	1.100
DELAWARE	1.022	1.043	0.710	1.021
FLORIDA	0.988	0.986	1.576	1.006
GEORGIA	0.986	0.959	0.933	0.973
GUAM	0.974	1.093	0.832	1.020
HAWAII	1.001	1.134	0.832	1.052
IOWA	0.962	0.883	0.595	0.917
IDAHO	0.963	0.888	0.496	0.916
ILLINOIS	1.004	1.016	1.539	1.026
INDIANA	0.984	0.929	0.480	0.945
KANSAS	0.966	0.902	0.754	0.932
KENTUCKY	0.973	0.873	0.875	0.928
LOUISIANA	0.979	0.897	1.125	0.949
MASSACHUSETTS	1.029	1.196	0.782	1.092
MARYLAND(1)	1.021	1.065	0.894	1.036
MARYLAND(2)	1.014	1.028	0.877	1.016
MAINE	0.971	0.954	0.665	0.954
MICHIGAN	1.024	0.998	2.170	1.050
MINNESOTA	0.993	0.982	0.451	0.971
MISSOURI	0.974	0.898	0.820	0.937
MISSISSIPPI	0.960	0.843	0.777	0.905
MONTANA	0.953	0.883	0.725	0.916
NORTH CAROLINA	0.973	0.938	0.594	0.946
NORTH DAKOTA	0.953	0.887	0.656	0.916
NEBRASKA	0.951	0.884	0.429	0.906
NEW HAMPSHIRE	0.989	1.038	0.823	1.004
NEW JERSEY	1.050	1.170	0.858	1.095

Notes:
(1) -- District of Columbia does not include surrounding MD and VA counties.
(2) -- District of Columbia includes surrounding MD and VA counties.

Table A-3: 2002 GPCIs and GAFs by State

State	Quarter Work GPCI	Practice Expense GPCI	Malpractice GPCI	GAF
NEW MEXICO	0.976	0.907	0.900	0.944
NEVADA	1.008	1.047	1.206	1.031
NEW YORK	1.051	1.175	1.489	1.117
OHIO	0.991	0.951	0.955	0.973
OKLAHOMA	0.971	0.883	0.443	0.917
OREGON	0.975	0.976	0.435	0.958
PENNSYLVANIA	1.002	0.984	0.952	0.993
PUERTO RICO	0.884	0.717	0.274	0.794
RHODE ISLAND	1.020	1.073	0.881	1.038
SOUTH CAROLINA	0.977	0.911	0.278	0.927
SOUTH DAKOTA	0.938	0.885	0.405	0.899
TENNESSEE	0.978	0.907	0.591	0.936
TEXAS	0.985	0.940	1.020	0.967
UTAH	0.979	0.948	0.643	0.955
VIRGINIA(1)	0.995	0.977	0.507	0.972
VIRGINIA(2)	0.987	0.945	0.499	0.954
VIRGIN ISLANDS	0.968	1.031	1.000	0.996
VERMONT	0.976	0.994	0.538	0.970
WASHINGTON	0.992	1.019	0.786	0.997
WISCONSIN	0.984	0.936	0.937	0.962
WEST VIRGINIA	0.966	0.857	1.375	0.933
WYOMING	0.970	0.902	1.003	0.942

Notes:
(1) -- District of Columbia does not include surrounding MD and VA counties.
(2) -- District of Columbia includes surrounding MD and VA counties.

Table A-4: 2002 Employee Wage and Office Rent Indices
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Employee Wage	Office Rent
00510	00	ALABAMA	ALABAMA	0.870	0.738
00831	01	ALASKA	ALASKA	1.283	1.249
00832	00	ARIZONA	ARIZONA	0.965	1.000
00520	13	ARKANSAS	ARKANSAS	0.838	0.704
02050	26	CALIFORNIA	ANAHEIM/SANTA ANA, CA	1.195	1.422
02050	18		LOS ANGELES, CA	1.219	1.223
31140	03		MARIN/NAPA/SOLANO, CA	1.202	1.647
31140	07		OAKLAND/BERKLEY, CA	1.293	1.470
31140	05		SAN FRANCISCO, CA	1.371	2.174
31140	06		SAN MATEO, CA	1.306	2.174
31140	09		SANTA CLARA, CA	1.328	1.949
02050	17		VENTURA, CA	1.135	1.294
02050	99		REST OF CALIFORNIA*	1.070	1.050
31140	99		REST OF CALIFORNIA*	1.070	1.050
00824	01	COLORADO	COLORADO	0.954	1.066
10230	00	CONNECTICUT	CONNECTICUT	1.267	1.215
00902	01	DELAWARE	DELAWARE	1.074	1.051
00903	01	DISTRICT OF COLUMBIA	DC + MD/VA SUBURBS	1.206	1.341

Table A-4: 2002 Employee Wage and Office Rent Indices
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Employee Wage	Office Rent
00590	03	FLORIDA	FORT LAUDERDALE, FL	1.003	1.090
00590	04		MIAMI, FL	1.056	1.139
00590	99		REST OF FLORIDA	0.916	0.951
00511	01	GEORGIA	ATLANTA, GA	1.076	1.136
00511	99		REST OF GEORGIA	0.904	0.771
00833	01	HAWAII/GUAM	HAWAII/GUAM	1.067	1.389
05130	00	IDAHO	IDAHO	0.863	0.791
00952	16	ILLINOIS	CHICAGO, IL	1.102	1.216
00952	12		EAST ST. LOUIS, IL	0.970	0.792
00952	15		SUBURBAN CHICAGO, IL	1.050	1.216
00952	99		REST OF ILLINOIS	0.879	0.797
00630	00	INDIANA	INDIANA	0.926	0.847
00826	00	IOWA	IOWA	0.854	0.785
00650	00	KANSAS	KANSAS*	0.896	0.793
00740	04		KANSAS*	0.896	0.793
00660	00	KENTUCKY	KENTUCKY	0.872	0.721
00528	01	LOUISIANA	NEW ORLEANS, LA	0.994	0.832
00528	99		REST OF LOUISIANA	0.887	0.715

Table A-4: 2002 Employee Wage and Office Rent Indices
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Employee Wage	Office Rent
31142	03	MAINE	SOUTHERN MAINE	1.011	1.009
31142	99		REST OF MAINE	0.928	0.801
00901	01	MARYLAND	BALTIMORE/SURR. CNTYS, MD	1.098	1.026
00901	99		REST OF MARYLAND	0.951	0.995
31143	01	MASSACHUSETTS	METROPOLITAN BOSTON	1.280	1.504
31143	99		REST OF MASSACHUSETTS	1.136	1.308
00953	01	MICHIGAN	DETROIT, MI	1.085	1.045
00953	99		REST OF MICHIGAN	0.966	0.848
10240	00	MINNESOTA	MINNESOTA	0.995	0.940
10250	00	MISSISSIPPI	MISSISSIPPI	0.820	0.690
00740	02	MISSOURI	METROPOLITAN KANSAS CITY, MO	0.992	0.916
00523	01		METROPOLITAN ST. LOUIS, MO	0.989	0.814
00740	99		REST OF MISSOURI*	0.808	0.662
00523	99		REST OF MISSOURI*	0.808	0.662
00751	01	MONTANA	MONTANA	0.848	0.794
00655	00	NEBRASKA	NEBRASKA	0.835	0.817
00834	00	NEVADA	NEVADA	1.038	1.117
31144	40	NEW HAMPSHIRE	NEW HAMPSHIRE	1.033	1.089

Table A-4: 2002 Employee Wage and Office Rent Indices
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Employee Wage	Office Rent
00805	01	NEW JERSEY	NORTHERN NJ	1.233	1.399
00805	99		REST OF NEW JERSEY	1.084	1.312
00521	05	NEW MEXICO	NEW MEXICO	0.879	0.837
00803	01	NEW YORK	MANHATTAN, NY	1.394	1.744
00803	02		NYC SUBURBS/LONG I., NY	1.262	1.573
00803	03		POUGHKPSIE/N NYC SUBURBS, NY	1.034	1.254
14330	04		QUEENS, NY	1.310	1.414
00801	99		REST OF NEW YORK	0.962	0.875
05535	00	NORTH CAROLINA	NORTH CAROLINA	0.934	0.869
00820	01	NORTH DAKOTA	NORTH DAKOTA	0.853	0.800
16360	00	OHIO	OHIO	0.970	0.863
00522	00	OKLAHOMA	OKLAHOMA	0.895	0.725
00835	01	OREGON	PORTLAND, OR	1.061	1.120
00835	99		REST OF OREGON	0.917	0.901
00865	01	PENNSYLVANIA	METROPOLITAN PHILADELPHIA, PA	1.130	1.178
00865	99		REST OF PENNSYLVANIA	0.947	0.844
00973	20	PUERTO RICO	PUERTO RICO	0.504	0.688

Table A-4: 2002 Employee Wage and Office Rent Indices
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Employee Wage	Office Rent
00870	01	RHODE ISLAND	RHODE ISLAND	1.115	1.098
00880	01	SOUTH CAROLINA	SOUTH CAROLINA	0.898	0.825
00820	02	SOUTH DAKOTA	SOUTH DAKOTA	0.813	0.853
05440	35	TENNESSEE	TENNESSEE	0.904	0.800
00900	31	TEXAS	AUSTIN, TX	0.934	1.111
00900	20		BEAUMONT, TX	0.908	0.758
00900	09		BRAZORIA, TX	0.952	1.018
00900	11		DALLAS, TX	1.048	1.196
00900	28		FORT WORTH, TX	0.989	0.977
00900	15		GALVESTON, TX	0.991	0.924
00900	18		HOUSTON, TX	1.047	0.988
00900	99		REST OF TEXAS	0.857	0.795
00910	09	UTAH	UTAH	0.885	0.978
31145	50	VERMONT	VERMONT	0.983	1.004
00973	50	VIRGIN ISLANDS	VIRGIN ISLANDS	0.899	1.260
10490	00	VIRGINIA	VIRGINIA	0.935	0.892
00836	02	WASHINGTON	SEATTLE (KING CNTY), WA	1.112	1.232
00836	99		REST OF WASHINGTON	0.977	0.958

Table A-4: 2002 Employee Wage and Office Rent Indices
NOT ADJUSTED FOR BUDGET NEUTRALITY

Carrier	Locality	State	Fee Schedule Area	Employee Wage	Office Rent
16510	16	WEST VIRGINIA	WEST VIRGINIA	0.857	0.685
00951	00	WISCONSIN	WISCONSIN	0.931	0.866
00825	21	WYOMING	WYOMING	0.892	0.799

Table A-5: 2002 Employee Wage and Office Rent Indices by State

State	Employee Wage Index	Office Rent Index
ALASKA	1.283	1.249
ALABAMA	0.870	0.738
ARKANSAS	0.838	0.704
ARIZONA	0.965	1.000
CALIFORNIA	1.168	1.258
COLORADO	0.954	1.066
CONNECTICUT	1.267	1.215
DISTRICT OF COLUMBIA(1)	1.308	1.341
DISTRICT OF COLUMBIA(2)	1.206	1.341
DELAWARE	1.074	1.051
FLORIDA	0.956	1.012
GEORGIA	0.966	0.901
GUAM	0.854	1.551
HAWAII	1.071	1.386
IOWA	0.854	0.785
IDAHO	0.863	0.791
ILLINOIS	1.008	1.045
INDIANA	0.926	0.847
KANSAS	0.896	0.793
KENTUCKY	0.872	0.721
LOUISIANA	0.915	0.746
MASSACHUSETTS	1.210	1.409
MARYLAND(1)	1.089	1.109
MARYLAND(2)	1.059	1.018
MAINE	0.962	0.887
MICHIGAN	1.029	0.952
MINNESOTA	0.995	0.940
MISSOURI	0.906	0.764
MISSISSIPPI	0.820	0.690
MONTANA	0.848	0.794
NORTH CAROLINA	0.934	0.869
NORTH DAKOTA	0.853	0.800
NEBRASKA	0.835	0.817
NEW HAMPSHIRE	1.033	1.089
NEW JERSEY	1.175	1.365
NEW MEXICO	0.879	0.837

Notes:
(1) -- District of Columbia does not include surrounding MD and VA counties.
(2) -- District of Columbia includes surrounding MD and VA counties.

Table A-5: 2002 Employee Wage and Office Rent Indices by State

State	Employee Wage Index	Office Rent Index
NEVADA	1.038	1.117
NEW YORK	1.187	1.367
OHIO	0.970	0.863
OKLAHOMA	0.895	0.725
OREGON	0.961	0.968
PENNSYLVANIA	1.000	0.940
PUERTO RICO	0.504	0.688
RHODE ISLAND	1.115	1.098
SOUTH CAROLINA	0.898	0.825
SOUTH DAKOTA	0.813	0.853
TENNESSEE	0.904	0.800
TEXAS	0.921	0.894
UTAH	0.885	0.978
VIRGINIA(1)	0.972	0.957
VIRGINIA(2)	0.935	0.892
VIRGIN ISLANDS	0.899	1.260
VERMONT	0.983	1.004
WASHINGTON	1.019	1.042
WISCONSIN	0.931	0.866
WEST VIRGINIA	0.857	0.685
WYOMING	0.892	0.799

Notes:
(1) -- District of Columbia does not include surrounding MD and VA counties.
(2) -- District of Columbia includes surrounding MD and VA counties.

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